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# Expert Book-keeping,

## A PRACTICAL WORK

*For the use of Business Men; Shareholders, Directors,  
Officers, Auditors, &c., of Joint Stock Companies,  
Associations, Societies, Municipalities, &c.,  
and for advanced students in the  
science of accounts,*

BY

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OWEN SOUND:

Printed and Published at the Northern Business College Steam Press.

1892.

Entered according to Act of the Parliament of Canada, in the year one thousand eight hundred and ninety-two, by C. A. Fleming, in the Office of the Minister of Agriculture.

## PREFACE.

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This work is an advance text book on Book-keeping intended principally for the use of officers, auditors, and shareholders of Incorporated concerns, business men generally and students who have studied the ordinary texts on this subject. It deals very largely with Joint Stock Companies and other corporations as to their formation, incorporation, government, management, book-keeping, &c. It also contains a large amount of practical information as to partnerships and settlements of various kinds, investments, and of expert book-keepers' work in dealing with Reserve Funds, Balance Sheets, Auditing, Liquidation of Corporations—useful alike to book-keepers, auditors, and all persons seeking a thorough knowledge of accounts. There are a large number of forms of special books exemplified, and much descriptive matter relating to the special books and to accountants' work generally. For a general idea of the work, the reader is referred to the short table of contents on next page. For easy reference to any forms of books, documents, &c., we have appended an index of forms on page 333, and to enable the reader to refer readily to any subject treated in the book, a complete index has been placed at his disposal, beginning on page 334.

The author submits this work as the result of many years experience as a teacher of Book-keeping and as Book-keeper, Auditor and Consulting Accountant for all kinds of Monetary, Insurance, Trading, Mercantile, Manufacturing, Contracting, and Eleemosynary Corporations, Partnerships, &c., and while he has found all kinds of work—good, bad, indifferent, and very indifferent, while attending to his duties as a professional accountant, he hopes that the perusal of this work may aid in saving the work of the book-keeper, and in bringing about a better style of book-keeping generally in incorporated and unincorporated concerns.

NORTHERN BUSINESS COLLEGE.

*June 15th, 1892.*

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## CORPORATIONS.

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A Corporation is an association of individuals, formed and authorized by law, competent to act as a single person, to buy and sell personal property and real estate, to enter into contracts, to sue at law and be sued. It also has the legal capacity of perpetual succession, that is, the death of one or more parties so joined together does not dissolve the Corporation. Corporations obtain their power to exist and act from government; this power is called a Charter, or Letters Patent. In Canada, for local purposes, a Charter is usually obtained from the Provincial Legislature. In such case the place or places of business of the Corporation should be within that Province. A Charter from the Dominion Government is necessary for certain corporations on account of the nature of their business; and by others on account of the extent of their field of operations. A Charter may be granted in two ways: 1st, by Special Act of Parliament; or, 2nd, under General Acts of Parliament.

Corporations may be divided as follows:—

PUBLIC.

PRIVATE.

ELEEMOSYNARY.

QUASI.

**Public Corporations** are created by Government for public purposes, such as Cities, Counties. These have subordinate legislative powers, to be exercised for the public good.

**Private Corporations.** This class embraces all business and trading companies such as carry on Banking, Insurance, Lumbering, Railroads, Telegraphs, Electric Lights, Factories, Newspapers and other business enterprises. This is the class we purpose dealing with principally in this work.

**Eleemosynary Corporations.** These are corporations formed for charitable purposes, such as the founding and carrying on of Hospitals, Homes for infirm persons, Schools, Colleges, &c.

**Quasi Corporations** are such as have powers that are generally recognized, though not by Act of Legislature, such as School Sections, &c.

Private Companies that carry on business differ from Partnerships in that the death of a partner dissolves the partnership. When a death occurs in one of the members of a company, his legal representative takes his place. In a partnership one partner may own the capital and another the experience, or a partner may have any portion of the ownership of the capital. In the company, the capital is divided into *equal portions called shares*, and any person being a stockholder must own one or more *shares*.

Another point of difference is that in a partnership the partner's private property is liable for partnership debts after the property of the partnership has been all taken and the debts are only partly satisfied; while in a company, the stockholder is only liable for the amount of stock he subscribes for; and if this has been paid up, he is not liable any further for the debts of an insolvent company. There is one exception to the above, and that is in Banking Companies, the stockholders being liable for double the amount of their stock.

The amount of the shares into which the capital of the larger companies is divided is \$100 each. The capital of smaller undertakings and those of a local nature is divided into smaller shares : \$50, \$25, \$20, \$10, \$5, and even \$1 shares.

**Dividends.** The profits of a company are divided among the stockholders according to their interest in the capital stock, usually a certain per cent. on the paid up stock.

**Authorized Capital.** This is the amount allowed by the Charter of the Company as the maximum limit of the stock that can be taken up. Authorized Capital, \$5000, means that the stockholders may subscribe to the extent of \$5000. This may be increased any time by obtaining a supplementary charter.

**Subscribed Capital.** This is the amount of the Authorized Capital that the stockholders have signed their names for—the amount of the stock taken. This might be all the Authorized Capital, or it might be a very small portion of it.

**Paid up Capital.** This is the actual working capital of the company, sometimes called “Cash Capital.” This may be all the Authorized Capital, if it is all subscribed ; or it may be all the Subscribed Capital ; or it might be only ten per cent. of the Subscribed Capital. A company might have Authorized Capital, \$5000 ; Subscribed Capital, \$5000 (if all signed for) ; and Paid up Capital \$5000 (if all paid up) ; or the Authorized Capital, \$5000 ; the subscribed Capital, \$100 ; and the Paid up or Working Capital, \$10.

**Preference Stock** is such as is issued to procure additional Working Capital, and is given by agreement with the original stockholders a right to the first division of profits every year. Each subsequent issue of stock has a preference to profits over all previous issues ; a fourth Preference Stock would get dividends before a third ; a third before a second, &c., and all the preference before the original stockholders.

**Guaranteed Stock** is such that dividends at a certain rate must be paid every year even out of the stock of the previous stockholders who stand as Guarantors.

**Calls.** When the management of a company ask the stockholders to pay up a certain per cent. of their subscribed stock, this is denominated “making a Call.”

For the proper understanding of the nature of a company, its powers, its organization, incorporation and management, its stock and calls, we give the General Acts for the Incorporation of Companies by both the Dominion Government and the Legislature of Ontario, the first being Chapter 119 of the Revised Statutes of Canada, and the latter, Chapter 157, Revised Statutes of Ontario.



## THE DOMINION COMPANIES ACT.

An Act respecting the incorporation of Joint Stock Companies by Letters Patent.

Her Majesty, by and with the advice of the Senate and House of Commons of Canada, enacts as follows :—

### SHORT TITLE.

1. This Act may be cited as "*The Companies Act.*" 40 V., c. 43, s. 1.

### INTERPRETATION.

2. In this Act, and in all letters patent and supplementary letters patent issued under it, unless the context otherwise requires,—

(a.) The expression "the company" means the company incorporated by letters patent under this Act ;

(b.) The expression "the undertaking" means the business of every kind which the company is authorized to carry on ;

(c.) The expression "loan company" means a company incorporated for any of the purposes to which the powers of loan companies extend, as hereinafter provided ;

(d.) The expression "real estate" or land, includes messuages, lands, tenements and hereditaments of any tenure, and all immovable property of any kind ;

(e.) The expression "shareholder" means every subscriber to or holder of stock in the company, and includes the personal representatives of the shareholder ;

(f.) The expression "manager" includes the cashier and secretary. 40 V., c. 43, s. ]2.

### LETTERS PATENT.

3. The Governor in Council may, by letters patent under the Great Seal, grant a charter to any number of persons, not less than five, who petition therefor, constituting such persons, and those who thereafter become shareholders in the company thereby created, a body corporate and politic, for any of the purposes or objects to which the legislative authority of the Parliament of Canada extends, except the construction and working of railways, or the business of banking and the issue of paper money, or the business of insurance. 40 V., c. 43, s. 3.

4. The applicants for such letters patent shall give at least one month's previous notice, in the *Canada Gazette*, of their intention to apply for the same, stating therein,

(a.) The proposed corporate name of the company, which shall not be that of any other known company, incorporated or unincorporated, or any name liable to be confounded therewith or otherwise, on public grounds, objectionable ;

(b.) The purpose for which its incorporation is sought ;

(c.) The place within Canada which is to be its chief place of business ;

(d.) The proposed amount of its capital stock—which, in the case of a loan company, shall not be less than one hundred thousand dollars ;

(e.) The number of shares and the amount of each share ;

(f.) The names in full and the address and calling of each of the applicants, with special mention of the names of not more than fifteen and not less than three of their number, who are to be the first or provisional directors of the company, and the majority of whom shall be residents of Canada. 40 V., c. 43, s. 4.

5. At any time, not more than one month after the last publication of such notice, the applicants may petition the Governor in Council, through the Secretary of State, for the issue of such letters patent ;

2. Such petition shall state the facts set forth in the notice, the amount of stock taken by each applicant, and the manner in which the same has been paid in, and is held for the company.

3 The aggregate of the stock so taken shall be at least the one-half of the total amount of the proposed capital stock of the company ;

4. The aggregate so paid in thereon shall, if the company is not a loan company, be at least ten per cent. of the stock so taken ; if the company is a loan company the aggregate so paid in of the stock so taken shall be at least ten per cent. thereof, and shall not be less than one hundred thousand dollars ;

5. (a.) Such aggregate shall be deposited to the credit of the Receiver General of Canada, and shall be standing at such credit in some chartered bank in Canada, and the applicants shall, with their petition, produce the deposit receipt for such amount so deposited :

(b.) At any time after the signing of letters patent incorporating the applicants as a company, the said aggregate so paid in to the credit of the Receiver General, may be returned to and for the sole use of the company ; or, in case of failure to incorporate, to the applicants who have paid in or contributed to the same, under regulations from time to time made by the Governor in Council :

(c.) In case the object of the company is one requiring that it should own real estate, any portion not exceeding one half of such aggregate may be taken as paid in, if it is *bona fide* invested in real estate suitable to such object, and such real estate is, by a valid and sufficient registered deed, duly held by two or more trustees for the company ; and the applicants shall establish the fact, by oath, affirmation or declaration, that such real estate is of the required value over and above all encumbrances thereon. See 58-9 V., c. 21

6. The petition may ask for the embodying in the letters patent of any provision which, under this Act, might be made by by-law of the company ; and such provision so embodied shall not, unless provision to the contrary is made in the letters patent, be subject to repeal or alteration by by-law. 40 V., c. 43, s. 5.

6. Before the letters patent are issued, the applicants shall establish, to the satisfaction of the Secretary of State, or of such other officer as is charged by the Governor in Council to report thereon, the sufficiency of their notice and petition, and the truth and sufficiency of the facts therein set forth, and that the proposed name is not the name of any other known incorporated or unincorporated company ; and for that purpose the Secretary of State, or such other officer, shall take and keep of record any requisite evidence in writing, by oath or affirmation or by solemn declaration. 40 V., c. 43, s. 6.

7. The letters patent shall recite such of the established averments of the notice and petition as to the Governor in Council seems expedient. 40 V., c. 43, s. 7.

8. The Governor in Council may give to the company a corporate name, different from that proposed by the applicants in their published notice, if the proposed name is objectionable. 40 V., c. 43, s. 8.

9. Notice of the granting of the letters patent shall be forthwith given by the Secretary of State, in the *Canada Gazette*, in the form A in the schedule to this Act ; and thereupon, from the date of the letters patent, the persons therein named, and their successors, shall be a body corporate and politic, by the name mentioned therein ; and a copy of every such notice shall forthwith be, by the company to which such notice relates, inserted on four separate occasions in at least one newspaper in the county, city or place where the head office or chief agency is established. 40 V., c. 43, ss. 9 and 106.



## SUPPLEMENTARY LETTERS PATENT.

### *Change of Name.*

10. If it is made to appear, to the satisfaction of the Governor in Council, that the name of any company (whether given by the original or by supplementary letters patent, or on amalgamation) incorporated under this Act, is the same as the name of an existing incorporated or unincorporated company, or so similar thereto as to be liable to be confounded therewith, the Governor in Council may direct the issue of supplementary letters patent, reciting the former letters and changing the name of the company to some other name which shall be set forth in the supplementary letters patent. 40 V., c. 43, s. 11.

11. When a company incorporated under this Act is desirous of adopting another name, the Governor in Council, upon being satisfied that the change desired is not for any improper purpose, may direct the issue of supplementary letters patent, reciting the former letters patent and changing the name of the company to some other name, which shall be set forth in the supplementary letters patent. 40 V., c. 43, s. 12.

12. No alteration of its name under the two sections next preceding shall affect the rights or obligations of the company; and all proceedings may be continued or commenced by or against the company under its new name that might have been continued or commenced by or against the company under its former name. 40 V., c. 43, s. 13.

### *Obtaining of Further Powers.*

13. The company may, from time to time, by a resolution passed by the votes of shareholders, representing at least two-thirds in value of the subscribed stock of the company, at a special general meeting called for the purpose, authorize the directors to apply for supplementary letters patent, extending the powers of the company to such other purposes or objects for which a company may be incorporated under this Act, as are defined in the resolution. 40 V., c. 43, s. 14.

14. The directors may at any time within six months after the passing of any such resolution, petition the Governor in Council, through the Secretary of State, for the issue of such supplementary letters patent:

2. The applicants for such supplementary letters patents shall give at least one month's notice in the *Canada Gazette* of their intention to apply for the same, stating therein the purposes or objects to which it is desired to extend the powers of the company. 40 V., c. 43, s. 15.

15. Before such supplementary letters patent are issued, the applicants shall establish to the satisfaction of the Secretary of State or of such other officer as is charged by the Governor in Council to report thereon, the due passing of the resolution authorizing the application, and the sufficiency of their notice and petition: and for that purpose the Secretary of State, or such other officer, shall take and keep of record any requisite evidence in writing, by oath or affirmation, or by solemn declaration. 40 V., c. 43, s. 16.

16. Upon due proof so made, the Governor in Council may grant supplementary letters patent under the Great Seal, extending the powers of the company to all or any of the objects defined in the resolution; and notice thereof shall be forthwith given by the Secretary of State, in the *Canada Gazette*, in the form B in the schedule to this Act; and thereupon, from the date of the supplementary letters patent, the undertaking of the company shall extend to and include the other purposes or objects set out in the supplementary letters patent as fully as if such other purposes or objects were mentioned in the original letters patent; and a copy of every such notice shall forthwith be, by the company to which the notice relates, inserted on four separate occasions in at least one newspaper in the county, city or place where the head office or chief agency is established. 40 V., c. 43, ss. 17 and 106.

*Increase or Reduction of Capital, &c.*

17. The directors of the company, other than a loan company, may, at any time, make a by-law subdividing the existing shares into shares of a smaller amount. 40 V., c. 43, s. 19.

18. The directors of the company may, at any time after the whole capital stock of the company has been taken up and fifty per cent. thereon paid in, make a by-law for increasing the capital stock of the company to any amount which they consider requisite for the due carrying out of the objects of the company ;

2. Such by-law shall declare the number of the shares of the new stock, and may prescribe the manner in which the same shall be allotted ; and in default of its so doing, the control of such allotment shall vest absolutely in the directors. 40 V., c. 43, s. 20.

19. The directors of the company may, at any time, make a by-law for reducing the capital stock of the company to any amount which they consider advisable and sufficient for the due carrying out of the undertaking of the company ; but the capital stock of a loan company shall never be reduced to less than one hundred thousand dollars ;

2. Such by-law shall declare the number and value of the shares of the stock as so reduced, and the allotment thereof, or the manner in which the same shall be made ;

3. The liability of shareholders to persons who were, at the time of the reduction of the capital, creditors of the company, shall remain the same as if the capital had not been reduced. 40 V., c. 43, ss. 21 and 22, *part*.

20. No by-law for increasing or reducing the capital stock of the company, or for subdividing the shares, shall have any force or effect whatsoever, until it is approved by the votes of shareholders representing at least two thirds in value of all the subscribed stock of the company, at a special general meeting of the company, duly called for considering the same, and afterwards confirmed by supplementary letters patent. 40 V., c. 43, s. 22, *part*.

21. At any time, not more than six months after such sanction of such by-law, the directors may petition the Governor in Council, through the Secretary of State, for the issue of supplementary letters patent to confirm the same ;

2. The directors shall, with such petition, produce a copy of such by-law under the seal of the company, and signed by the president, vice-president or secretary, and establish to the satisfaction of the Secretary of State, or of such other officer as is charged by the Governor in Council to report thereon, the due passage and approval of such by-law, and the expediency and *bona fide* character of the increase or reduction of capital or subdivision of shares, as the case may be, thereby provided for :

3. The Secretary of State or such officer shall, for that purpose, take and keep of record any requisite evidence in writing, by oath or affirmation or by solemn declaration, as above mentioned. 40 V., c. 43, s. 23.

22. Upon due proof so made, the Governor in Council may grant such supplementary letters patent under the Great Seal ; and notice thereof shall be forthwith given by the Secretary of State in the *Canada Gazette*, in the form C, in the schedule to this Act ; and thereupon, from the date of the supplementary letters patent, the capital stock of the company shall be and remain increased or reduced, or the shares shall be subdivided, as the case may be, to the amount, in the manner and subject to the conditions set forth by such by-law ; and the whole of the stock, as so increased or reduced, shall become subject to the provisions of this Act, in like manner, as far as possible, as if every part thereof had been or formed part of the stock of the company originally subscribed. 40 V., c. 43, s. 24.

POWERS OF THE COMPANY.

23. All powers given to the company by the letters patent, or supplementary letters patent, shall be exercised, subject to the provisions and restrictions contained in this Act. 40 V., c. 43, s. 25.

24. Every company incorporated under this Act may acquire, hold, sell and convey any real estate requisite for the carrying on of the undertaking of such company, and shall forthwith become and be invested with all property and rights, real and personal, theretofore held by or for it under any trust created with a view to its incorporation, and with all the powers, privileges and immunities requisite or incidental to the carrying on of its undertaking, as if it was incorporated by a special Act of Parliament, embodying the provisions of this Act and of the letters patent: Provided always, that the exercise by loan companies of the powers conferred by this section shall be subject to the special provisions respecting such companies hereinafter contained. 40 V., c. 43, s. 10.

#### CAPITAL STOCK.

25. The stock of the company shall be a personal estate, and shall be transferable in such manner, and subject to all such conditions and restrictions as are prescribed by this Act, or by the letters patent, or by the by-laws of the company. 40 V., c. 43, s. 34.

26. If the letters patent, or the supplementary letters patent, make no other definite provision, the stock of the company, or any increased amount thereof, so far as it is not allotted thereby, shall be allotted at such times and in such manner as the directors prescribe by by-law. 40 V., c. 44, s. 35.

27. Every share in the company shall, subject to the provisions of subsection five of section five of this Act, be deemed to have been issued and to be held subject to the payment of the whole amount thereof in cash, unless the same has been otherwise agreed upon or determined by a contract duly made in writing and filed with the Secretary of State, at or before the issue of such shares. 40 V., c. 43, s. 83.

#### DIRECTORS.

28. The affairs of the company shall be managed by a board of not more than fifteen and not less than three directors. 40 V., c. 43, s. 26.

29. The persons named as such, in the letters patent, shall be the directors of the company, until replaced by others duly appointed in their stead. 40 V., c. 43, s. 27.

30. No person shall be elected or appointed as a director thereafter unless he is a shareholder, owning stock absolutely in his own right, and to the amount required by the by-laws of the company, and not in arrear in respect of any call thereon; and at all times the majority of the directors of the company shall be persons resident in Canada. 40 V., c. 43, s. 28.

31. The company may, by by-law, increase to not more than fifteen, or decrease to not less than three, the number of its directors; or may change the company's chief place of business in Canada; but no by-law for either of the said purposes shall be valid or acted upon unless it is approved by a vote of at least two thirds in value of the stock represented by the shareholders present at a special general meeting duly called for considering the by-law; nor until a copy of such by-law, certified under the seal of the company, has been deposited with the Secretary of State, and has also been published in the *Canada Gazette*. 40 V., c. 43, s. 18.

32. Directors of the company shall be elected by the shareholders, in general meeting of the company assembled at some place within Canada—at such times, in such manner and for such term, not exceeding two years, as the letters patent, or, in default thereof, as the by-laws of the company prescribe. 40 V., c. 43, s. 29.

33. In the absence of other provisions in such behalf, in the letters patent or by-laws of the company,—

(a) The election of directors shall take place yearly, and all the directors then in office shall retire, but, if otherwise qualified, they shall be eligible for re-election.



(b.) Notice of the time and place for holding general meetings of the company shall be given at least twenty-one days previously thereto, in some newspaper published in the place where the head office or chief place of business of the company is situate ; or if there is no such newspaper, then in the place nearest thereto in which a newspaper is published ;

(c.) At all general meetings of the company, every shareholder shall be entitled to give one vote for each share then held by him ; such vote may be given in person or by proxy—the holder of any such proxy being himself a shareholder ; but no shareholder shall be entitled, either in person or by proxy, to vote at any meeting unless he has paid all the calls then payable upon all the shares held by him ; all questions proposed for the consideration of the shareholders shall be determined by the majority of votes—the chairman presiding at such meeting having the casting vote in case of an equality of votes ;

(d.) Every election of directors shall be by ballot ;

(e.) Vacancies occurring in the board of directors may be filled, for the remainder of the term, by the directors from among the qualified shareholders of the company ;

(f.) The directors shall, from time to time, elect from among themselves a president, and, if they see fit, a vice-president of the company ; and may also appoint all other officers thereof. 40 V., c. 43, s. 30.

34. If, at any time, an election of directors is not made, or does not take effect at the proper time, the company shall not be held to be thereby dissolved ; but such election may take place at any subsequent general meeting of the company duly called for that purpose ; and the retiring directors shall continue in office until their successors are elected. 40 V., c. 43, s. 31.

#### POWERS OF DIRECTORS.

35. The directors of the company may administer the affairs of the company in all things, and make or cause to be made for the company any description of contract which the company may, by law, enter into ; and may, from time to time, make by-laws not contrary to law, or to the letters patent of the company, or to this Act, for the following purposes :—

(a.) The regulating of the allotment of stock, the making of calls thereon, the payment thereof, the issue and registration of certificates of stock, the forfeiture of stock for non-payment, the disposal of forfeited stock and of the proceeds thereof, and the transfer of stock ;

(b.) The declaration and payment of dividends ;

(c.) The number of the directors, their term of service, the amount of their stock qualification, and their remuneration, if any ;

(d.) The appointment, functions, duties and removal of all agents, officers and servants of the company, the security to be given by them to the company, and their remuneration ;

(e.) The time and place for the holding of the annual meetings of the company, the calling of meetings, regular and special, of the board of directors and of the company, the quorum, the requirements as to proxies, and the procedure in all things at such meetings ;

(f.) The imposition and recovery of all penalties and forfeitures which admit of regulation by by-law ;

(g.) The conduct, in all other particulars, of the affairs of the company ;

And the directors may, from time to time, repeal, amend, or re-enact the same ; but every such by-law, and every such repeal, amendment or re-enactment thereof, unless in the meantime confirmed at a general meeting of the company, duly called for that purpose, shall only have force until the next annual meeting of the company, and in default of confirmation thereat, shall at and from that time only, cease to have force :

2. No by-law for the issue, allotment or sale of any portion of the unissued stock at any greater discount or at any less premium than that which has been previously authorized at a general meeting, and no by-law for the remuneration of the president or any director, shall be valid or acted upon until the same has been confirmed at a general meeting. 40 V., c. 43, s. 32, *part*.

36. The directors may deduct from the dividends payable to any shareholder all such sums of money as are due from him to the company, on account of calls or otherwise. 40 V., c. 53, s. 59.

37. The directors may, when authorized by a by-law for that purpose, passed and approved of by the votes of shareholders, representing at least two-thirds in value of the subscribed stock of the company represented at a special general meeting duly called for considering the by-law,—

(a.) Borrow money upon the credit of the company and issue bonds, debentures or other securities for any sums borrowed, at such prices as are deemed necessary or expedient; but no such debentures shall be for a less sum than one hundred dollars;

(b.) Hypothecate or pledge the real or personal property of the company to secure any sums borrowed by the company;

But the amount borrowed shall not, at any time, be greater than seventy-five per cent. of the actual paid-up stock of the company; Provided always that the limitations and restrictions on the borrowing powers of the company contained in this section shall not apply to or include moneys borrowed by the company on bills of exchange or promissory notes drawn, made, accepted or endorsed by the company. (*See* 58-9 V., c. 51.)

#### CALLS.

38. The directors may, from time to time, make such calls upon the shareholders in respect of all moneys unpaid upon their respective shares as they think fit, at such times and places and in such payments or instalments as the letters patent, or this Act, or the by-laws of the company require or allow. 40 V., c. 43, s. 52.

39. A call shall be deemed to have been made at the time when the resolution of the directors authorizing such call was passed; and if a shareholder fails to pay any call due by him, on or before the day appointed for the payment thereof, he shall be liable to pay interest for the same, at the rate of six per cent. per annum, from the day appointed for payment to the time of actual payment thereof. 40 V., c. 43, s. 53.

40. The directors may, if they think fit, receive from any shareholder willing to advance the same, all or any part of the amounts due on the shares held by such shareholder, beyond the sum then actually called for; and upon the moneys so paid in advance, or so much thereof as, from time to time, exceeds the amount of the calls then made upon the shares in respect of which such advance is made, the company may pay interest at such rate, not exceeding eight per cent. per annum, as the shareholder who pays such sum in advance and the directors agree upon. 40 V., c. 43, s. 54.

41. If, after such demand or notice as is prescribed by the letters patent or by the by-laws of the company, any call made upon any share is not paid within such time as, by such letters patent or by the by-laws, is limited in that behalf, the directors, in their discretion, by vote to that effect duly recorded in their minutes, may summarily declare forfeited any shares whereon such payment is not made; and the same shall thereupon become the property of the company and may be disposed of as, by the by-laws of the company or otherwise, they prescribe; but, notwithstanding such forfeiture, the holder of such shares at the time of forfeiture shall continue liable to the then creditors of the company for the full amount unpaid on such shares at the time of forfeiture, less any sums which are subsequently received by the company in respect thereof. 40 V., c. 43, s. 55.

42. The directors may, if they see fit, instead of declaring forfeited any share or shares, enforce payment of all calls, and interest thereon, by action in any court of competent jurisdiction; and in such action it shall not be necessary to set forth the special matter, but it shall be sufficient to declare that the defendant is a holder of one share or more, stating the number of shares, and is indebted in the sum of money to which the calls in arrear amount, in respect of one call or more, upon one share or more, stating the number of calls and the amount of each call, whereby an action has accrued to the company under this Act; and a certificate under their seal, and purporting to be signed by any officer of the company, to the effect that the defendant is a shareholder, that such call or calls has or have been made, and that so much is due by him and unpaid thereon, shall be received in all courts as *prima facie* evidence thereof. 40 V., c. 43, s. 56.

#### BOOKS OF THE COMPANY.

43. The company shall cause a book or books to be kept by the secretary, or by some other officer specially charged with that duty, wherein shall be kept recorded,—

(a.) A copy of the letters patent incorporating the company, and of any supplementary letters patent, and of all by-laws thereof;

(b.) The names, alphabetically arranged, of all persons who are or have been shareholders;

(c.) The address and calling of every such person, while such shareholder;

(d.) The number of shares of stock held by each shareholder;

(e.) The amounts paid in and remaining unpaid respectively, on the stock of each shareholder;

(f.) The names, addresses and calling of all persons who are or have been directors of the company, with the several dates at which each became or ceased to be such director;

2. A book called the register of transfers shall be provided, and in such book shall be entered the particulars of every transfer of shares in the capital of the company. 40 V., c. 43, s. 36.

44. Such books shall, during reasonable business hours of every day, except Sundays and holidays, be kept open for the inspection of shareholders and creditors of the company, and their personal representatives, at the head office or chief place of business of the company; and every such shareholder, creditor or personal representative may make extracts therefrom. 40 V., c. 43, s. 37.

45. Every director, officer or servant of the company, who knowingly makes or assists in making any untrue entry in any such book, or who refuses or wilfully neglects to make any proper entry therein, or to exhibit the same, or to allow the same to be inspected and extracts to be taken therefrom, is guilty of a misdemeanor. 40 V., c. 43, s. 40.

46. Every company which neglects to keep such book or books as aforesaid, shall forfeit its corporate rights. 40 V., c. 43, s. 38.

47. Such books shall be *prima facie* evidence of all facts purporting to be thereby stated, in any action, suit or proceeding against the company or against any shareholder. 40 V., c. 43, s. 39.

#### TRANSFER OF SHARES.

48. No transfer of shares, unless made by sale under execution, or under the decree, order or judgment of a court of competent jurisdiction, shall be valid for any purpose whatever, until entry thereof is duly made in the register of transfers, except for the purpose of exhibiting the rights of the parties thereto towards each other, and of rendering the transferee liable, in the meantime, jointly and severally, with the transferrer, to the company and its creditors. 40 V., c. 43, s. 41.

49. No transfer of shares, whereof the whole amount has not been paid in, shall be made without the consent of the directors; and whenever any transfer of shares not fully paid in has been made with such consent, to a person who is not apparently of sufficient means to fully pay up such shares, the directors shall be jointly and severally liable to the creditors of the company, in the same manner and to the same extent as the



transferring shareholder, but for such transfer, would have been ; but if any director present when any such transfer is allowed does forthwith, or if any director then absent does, within twenty-four hours after he becomes aware thereof and is able to do so, enter on the minute book of the board of directors his protest against the same, and within eight days thereafter publishes such protest in at least one newspaper published at the place in which the head office or chief place of business of the company is situated, or if there is no newspaper there published, then in the newspaper published nearest thereto, such director may thereby, and not otherwise, exonerate himself from such liability. 40 V., c. 43, s. 42.

50. Whenever the interest in any shares of the capital stock of the company is transmitted by the death of any shareholder or otherwise, or whenever the ownership of or legal right of possession in any shares changes by any lawful means, other than by transfer according to the provisions of this Act, and the directors of the company entertain reasonable doubts as to the legality of any claim to such shares, the company may make and file, in one of the superior courts in the Province in which the head office of the company is situated, a declaration and petition in writing, addressed to the justices of the court, setting forth the facts and the number of shares previously belonging to the person in whose name such shares stand in the books of the company, and praying for an order or judgment adjudicating and awarding the said shares to the person or persons legally entitled to the same,—by which order or judgment the company shall be guided and held fully harmless and indemnified and released from every other claim to the said shares or arising in respect thereof :

2. Notice of the intention to present such petition shall be given to the person claiming such shares, or to the attorney of such person duly authorized for the purpose, who shall, upon the filing of such petition, establish his right to the shares referred to in such petition ; and the time to plead and all other proceedings in such cases shall be the same as those observed in analogous cases before the said superior courts : Provided always, that the costs and expenses of procuring such order or judgment shall be paid by the person or persons to whom such shares are declared lawfully to belong ; and that such shares shall not be transferred in the books of the company until such costs and expenses are paid,—saving the recourse of such person against any person contesting his right to such shares. 40 V., c. 43, s. 43.

51. No shares shall be transferable until all previous calls thereon are fully paid in. 40 V., c. 43, s. 44.

52. The directors may decline to register any transfer of shares belonging to any shareholder who is indebted to the company. 40 V., c. 43, s. 45.

53. Any transfer of the shares or other interest of a deceased shareholder, made by his personal representative, shall, notwithstanding such personal representative is not himself a shareholder, be of the same validity as if he had been a shareholder at the time of his execution of the instrument of transfer. 40 V., c. 43, s. 46.

#### LIABILITY OF SHAREHOLDERS.

54. The shareholders of the company shall not, as such, be responsible for any act, default or liability of the company, or for any engagement, claim, payment, loss, injury, transaction, matter or thing relating to or connected with the company, beyond the amount unpaid on their respective shares in the capital stock thereof. 40 V., c. 43, s. 48.

55. Every shareholder, until the whole amount of his shares has been paid up, shall be individually liable to the creditors of the company to an amount equal to that not paid up thereon ; but he shall not be liable to an action therefor by any creditor until an execution at the suit of such creditor against the company has been returned unsatisfied in whole or in part ; and the amount due on such execution, not exceeding the amount unpaid on his shares, as aforesaid, shall be the amount recoverable, with costs, from such shareholder ; and any amount so recoverable, if paid by the shareholder, shall be considered as paid on his shares. 40 V., c. 43, s. 47.

56. No person, holding stock in the company as an executor, administrator, tutor, curator, guardian or trustee, shall be personally subject to liability as a shareholder; but the estate and funds in the hands of such person shall be liable in like manner, and to the same extent, as the testator or intestate, or the minor, ward or interdicted person, or the person interested in such trust fund would be, if living and competent to act and holding such stock in his own name; and no person holding such stock as collateral security shall be personally subject to such liability, but the person pledging such stock shall be considered as holding the same, and shall be liable as a shareholder accordingly. 40 V., c. 43, s. 49.

57. Every such executor, administrator, curator, guardian or trustee shall represent the stock held by him, at all meetings of the company, and may vote as a shareholder; and every person who pledges his stock may represent the same at all such meetings, and, notwithstanding such pledge, vote as a shareholder. 40 V., c. 43, s. 50.

#### LIABILITY OF DIRECTORS AND OFFICERS.

58. If the directors of the company declare and pay any dividend when the company is insolvent, or any dividend, the payment of which renders the company insolvent, or impairs the capital stock thereof, they shall be jointly and severally liable, as well to the company as to the individual shareholders and creditors thereof, for all the debts of the company then existing, and for all thereafter contracted during their continuance in office, respectively; but if any director present when such dividend is declared does forthwith, or if any director then absent does, within twenty-four hours after he becomes aware thereof and able so to do, enter on the minutes of the board of directors his protest against the same, and within eight days thereafter publishes such protest in at least one newspaper published in the place in which the head office or chief place of business of the company is situated, or if there is no newspaper there published, then in the newspaper published nearest thereto, such director may thereby, and not otherwise, exonerate himself from such liability. 40 V., c. 43, s. 67.

59. No loan shall be made by the company to any shareholder; if such loan is made, all directors and other officers of the company making the same, or in anywise assisting therein, shall be jointly and severally liable for the amount of such loan, with interest, to the company,—and also to the creditors of the company for all debts of the company then existing, or contracted between the time of the making of such loan and that of the repayment thereof; but the provisions of this section shall not apply to loan companies. 40 V., c. 43, s. 68.

60. The directors of the company shall be jointly and severally liable to the clerks, laborers, servants and apprentices thereof, for all debts not exceeding six months' wages due for service performed for the company whilst they are such directors respectively; but no director shall be liable to an action therefor, unless the company is sued therefor within one year after the debt becomes due, nor unless such director is sued therefor within one year from the time when he ceased to be such director, nor unless an execution against the company in respect of such debt is returned unsatisfied in whole or in part; and the amount unsatisfied on such execution shall be the amount recoverable with costs from the directors. 40 V., c. 43, s. 69.

#### DOMICILE—SERVICE OF PROCESS, ETC.

61. The company shall, at all times, have an office in the city or town in which its chief place of business is situate, which shall be the legal domicile of the company in Canada; and notice of the situation of such office and of any change therein shall be published in the *Canada Gazette*; and the company may establish such other offices and agencies elsewhere in Canada, as it deems expedient. 40 V., c. 43, s. 60.

62. Any summons, notice, order or other process or document served upon the company may be served by leaving the same at the said office in the city or town in which its chief place of business is situate, with any adult person in the employ of the company, or on the president or secretary of the company, or by leaving the same at the domicile



of either of them, or with any adult person of his family or in his employ ; or if the company has no known office or chief place of business, and has no known president or secretary, the court may order such publication as it deems requisite, to be made in the premises ; and such publication shall be held to be due service upon the company. 40 V., c. 43, s. 61.

63. Any summons, notice, order or proceeding requiring authentication by the company may be signed by any director, manager or other authorized officer of the company, and need not be under the seal of the company. 40 V., c. 43, s. 62.

64. Notices to be served by the company upon the shareholders may be served either personally or by sending them through the post, in registered letters, addressed to the shareholders at their places of abode as they appear on the books of the company. 40 V., c. 43, s. 63.

65. A notice or other document served by post by the company on a shareholder, shall be held to be served at the time when the registered letter containing it would be delivered in the ordinary course of post ; and to prove the fact and time of service it shall be sufficient to prove that such letter was properly addressed and registered, and was put into the post office, and the time it was put in, and the time requisite for its delivery in the ordinary course of post. 40 V., c. 43, s. 64.

66. A copy of any by-law of the company, under its seal, and purporting to be signed by any officer of the company, shall be received as against any shareholder of the company as *prima facie* evidence of such by-law in all courts in Canada. 40 V., c. 43, s. 33

67. Any description of action may be prosecuted and maintained between the company and any shareholder thereof ; and no shareholder shall, by reason of being a shareholder, be incompetent as a witness therein. 40 V., c. 43, s. 70.

68. In any action or other legal proceeding, it shall not be requisite to set forth the mode of incorporation of the company, otherwise than by mention of it under its corporate name, as incorporated by virtue of letters patent—or of letters patent and supplementary letters patent—as the case may be—under this Act ; and the notice in the *Canada Gazette*, of the issue of such letters patent or supplementary letters patent shall be *prima facie* proof of all things therein contained ; and on production of the letters patent or supplementary letters patent, or of any exemplification or copy thereof under the Great Seal, the fact of such notice shall be presumed ; and, except in any proceeding by *scire facias* or otherwise for the purpose of rescinding or annulling the same, the letters patent or supplementary letters patent, or any exemplification or copy thereof under the Great Seal, shall be conclusive proof of every matter and thing set forth therein. 40 V., c. 43, s. 71.

#### PROVISIONS AS TO EXISTING COMPANIES.

69. Any company heretofore incorporated for any purpose or object for which letters patent may be issued under this Act, whether under a special or a general Act, and now being a subsisting and valid corporation, may apply for letters patent under this Act, and the Governor in Council, upon proof that notice of the application has been inserted for four weeks in the *Canada Gazette*, may direct the issue of letters patent incorporating the shareholders of the said company as a company under this Act ; and thereupon all the rights or obligations of the former company shall be transferred to the new company, and all proceedings may be continued or commenced by or against the new company that might have been continued or commenced by or against the old company ; and it shall not be necessary in any such letters patent to set out the names of the shareholders ; and after the issue of the letters patent the company shall be governed in all respects by the provisions of this Act, except that the liability of the shareholders to creditors of the old company shall remain as at the time of the issue of the letters patent. 40 V., c. 43, s. 80.

70. If a subsisting company applies for the issue of letters patent under this Act, the Governor in Council may, by the letters patent, extend the powers of the company to such other objects for which letters patent may be issued under this Act as the applicant desires and as the Governor in Council thinks fit to include in the letters patent, and which have been mentioned in the notice of the application for the same, in the *Canada Gazette*; and the Governor in Council may, in the said letters patent, name the first directors of the new company; and the letters patent may be issued to the new company by the name of the old company or by another name. 40 V., c. 43, s. 81.

71. All the provisions of this Act in relation to the obtaining of supplementary letters patent by companies incorporated hereunder shall, so far as applicable, apply and extend to applications for letters patent under the two sections next preceding. 40 V., c. 43, s. 82.

#### GENERAL PROVISIONS.

72. The company may have an agency or agencies in any city or town in the United Kingdom. 40 V., c. 43, s. 86.

73. No dividend shall be declared which will impair the capital of the company. 40 V., c. 43, s. 57.

74. Shareholders who hold one fourth part in value of the subscribed stock of the company, may, at any time, call a special meeting thereof for the transaction of any business specified in such written requisition and notice as they make and issue to that effect. 40 V., c. 43, s. 32, *part*.

75. Every deed which any person, lawfully empowered in that behalf by the company as its attorney, signs on behalf of the company, and seals with his seal, shall be binding on the company and shall have the same effect as if it was under the seal of the company. 40 V., c. 43, s. 65.

76. Every contract, agreement, engagement or bargain made, and every bill of exchange drawn, accepted or indorsed, and every promissory note and cheque made, drawn or indorsed on behalf of the company, by any agent, officer or servant of the company, in general accordance with his powers as such under the by-laws of the company, shall be binding upon the company; and in no case shall it be necessary to have the seal of the company affixed to any such contract, agreement, engagement, bargain, bill of exchange, promissory note or cheque, or to prove that the same was made, drawn, accepted or indorsed, as the case may be, in pursuance of any by-law or special vote or order; and the person so acting as agent, officer or servant of the company shall not be subjected thereby to any liability whatsoever to any third person therefor: Provided always, that nothing in this Act shall be construed to authorize the company to issue any note payable to the bearer thereof, or any promissory note intended to be circulated as money, or as the note of a bank, or to engage in the business of banking or insurance. 40 V., c. 43, s. 66.

77. Proof of any matter which is necessary to be made under this Act may be made by oath or affirmation, or by solemn declaration, before any justice of the peace, or any commissioner for taking affidavits, to be used in any of the courts in any of the Provinces of Canada, or any notary public, each of whom is hereby authorized and empowered to administer oaths and receive affidavits and declarations for that purpose. 40 V., c. 43, s. 76.

78. The provisions of this Act relating to matters preliminary to the issue of the letters patent or supplementary letters patent shall be deemed directory only, and no letters patent or supplementary letters patent, issued under this Act, shall be held void or voidable on account of any irregularity in any notice prescribed by this Act, or on account of the insufficiency or absence of any such notice, or on account of any irregularity in respect of any other matter preliminary to the issue of the letters patent or supplementary letters patent. 40 V., c. 43, s. 77.

79. The company shall keep painted or affixed, its name, with the word "limited" after the name, on the outside of every office or place in which the business of the company is carried on, in a conspicuous position, in letters easily legible, and shall have its name, with the said word after it, engraven in legible characters on its seal, and shall have its name, with the said word after it, mentioned in legible characters in all notices, advertisements, and other official publications of the company, and in all bills of exchange, promissory notes, indorsements, cheques, and orders for money or goods, purporting to be signed by or on behalf of such company, and in all bills of parcels, invoices and receipts of the company :

2. Every company which does not keep painted or affixed its name, with the word "limited" after it, in manner directed by this Act, shall incur a penalty of twenty dollars for every day during which such name is not so kept painted or affixed :

3. Every director and manager of the company, who knowingly and wilfully authorizes or permits such default, shall be liable to the like penalty :

4. Every director, manager or officer of the company, and every person on its behalf, who uses or authorizes the use of any seal purporting to be a seal of the company, whereon its name, with the said word "limited" after it, is not so engraven as aforesaid, or who issues or authorizes the issue of any notice, advertisement or other official publication of such company, or who signs or authorizes to be signed on behalf of such company any bill of exchange, promissory note, indorsement, cheque, order for money or goods, or who issues or authorizes to be issued any bill of parcels, invoice or receipt of the company, wherein its name, with the said word after it, is not mentioned in manner aforesaid, shall incur a penalty of two hundred dollars, and shall also be personally liable to the holder of any such bill of exchange, promissory note, cheque, or order for money or goods, for the amount thereof, unless the same is duly paid by the company. 40 V., c. 43, ss. 78 and 79.

80. Every prospectus of the company, and every notice inviting persons to subscribe for shares in the company, shall specify the dates and the names of the persons to any contract entered into by the company or the promoters, directors or trustees thereof, before the issue of such prospectus or notice, whether subject to adoption by the directors or the company or otherwise ; and every prospectus or notice which does not specify the same shall, with respect to any person who takes shares in the company on the faith of such prospectus or notice, and who has not had notice of such contract, be deemed fraudulent on the part of the promoters, directors and officers of the company who knowingly issue such prospectus or notice. 40 V., c. 43, s. 84.

81. The company shall not be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share ; and the receipt of the shareholder in whose name the same stands in the books of the company, shall be a valid and binding discharge to the company for any dividend or money payable in respect of such share, and whether or not notice of such trust has been given to the company ; and the company shall not be bound to see to the application of the money paid upon such receipt. 40 V., c. 43, s. 51.

82. Every director of the company, and his heirs, executors and administrators, and estate and effects, respectively, may, with the consent of the company, given at any general meeting thereof, from time to time, and at all times, be indemnified and saved harmless out of the funds of the company, from and against all costs, charges and expenses whatsoever which he sustains or incurs in or about any action, suit or proceeding which is brought, commenced or prosecuted against him, for or in respect of any act, deed, matter or thing whatsoever, made, done or permitted by him, in or about the execution of the duties of his office ; and also from and against all other costs, charges and expenses which he sustains or incurs, in or about, or in relation to the affairs thereof,—except such costs, charges or expenses as are occasioned by his own wilful neglect or default. 40 V., c. 43, s. 57.



83. The charter of the company shall be forfeited by non-user during three consecutive years, or if the company does not go into actual operation within three years after it is granted. 40 V., c. 43, s. 72.

84. The Governor in Council may, from time to time, establish, alter and regulate the tariff of the fees to be paid on application for letters patent and supplementary letters patent under this Act; may designate the department or departments through which the issue thereof shall take place, and may prescribe the forms of proceeding and registration in respect thereof, and all other matters requisite for carrying out the objects of this Act:

2. The amount of the fees may be varied according to the nature of the company, the amount of the capital stock and other particulars as the Governor in Council thinks fit:

3. No steps shall be taken in any department towards the issue of any letters patent or supplementary letters patent under this Act, until after all fees therefor are duly paid. 40 V., c. 43, s. 74.

85. The directors of every company shall lay before its shareholders a full printed statement of the affairs and financial position of the company at or before each general meeting of the company for the election of directors. 40 V., c. 43, s. 87.

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## 62-63 VICTORIA, CHAP. 40.

An Act to amend "*The Companies Act*" and "*The Companies Clauses Act*."

[Assented to 11th August, 1899.]

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. Except as hereinafter provided, the directors of any company heretofore or hereafter incorporated, and to which "*The Companies Clauses Act*," chapter 118, or "*The Companies Act*," chapter 119, of the Revised Statutes, is applicable, may make a by-law for creating and issuing any part of the capital stock as preference stock, giving the same such preference and priority, as respects dividends and in any other respect, over ordinary stock as is declared by the by-law.

2. The by-law may provide that the holders of shares of such preference stock shall have the right to select a certain stated portion of the board of directors, or may give them such other control over the affairs of the company as is considered expedient.

3. No such by-law shall have any force or effect whatever until it has been unanimously sanctioned by a vote of the shareholders present in person or proxy at a general meeting of the company duly called for considering the same and representing two thirds of the stock of the company, or unanimously sanctioned in writing by the shareholders of the company: provided, however, that if the by-law be sanctioned by not less than three fourths in value of the shareholders of the company, the company may, through the Secretary of State, petition the Governor in Council for an order approving the said by-law, and the Governor in Council may, if he see fit, approve thereof, and from the date of such approval the by-law shall be valid and may be acted upon.

4. Holders of shares of such preference stock shall be shareholders within the meaning of the said Acts, or either of them, and shall in all respects possess the rights and be subject to the liabilities of shareholders within the meaning of the said Acts, or either of them; provided, however, that in respect of dividends and in any other respect declared by by-law as authorized by section 1 of this Act they shall, as against the ordinary shareholders, be entitled to the preferences and rights given by such by-law.

5. Nothing contained in this Act or done in pursuance thereof shall affect or impair the rights of creditors of the company.

6. This Act does not apply to any insurance company or trust company.

## QUESTIONS ON THE DOMINION ACT.

- 3 For what purposes may Companies be formed under this Act?
- 3 What kinds of Companies cannot be incorporated under this Act?
- 4 What notice must be given of the intention to organize a Company?
- 4 What particulars must be stated in such notice or advertisement?
- 5 To whom must application be made for Letters Patent?
- 9 Where must notices of the grant of Letters Patent be advertised and for how many insertions?
- 10 What is understood by Supplementary Letters Patent?
- 10 For what purposes may Supplementary Letters Patent be granted?
- 13--16 What proceedings are necessary to obtain Supplementary Letters Patent granting further powers?
- 17--22 What conditions are necessary in a Company in order to obtain Supplementary Letters Patent for increase or decrease of Capital Stock?
- 24 Can Companies hold Real Estate?
- 27 How may shares in the Capital Stock be issued without being subject to call?
- 28 By whom are the affairs of the Company managed, and what is the greatest and the least number of such persons?
- 29 What do you understand by Provisional Directors?
- 30 Who may be a Director of a Company?
- 31 How may a Company increase or decrease its Board of Directors?
- 31 How may they change their chief place of business?
- 32--33 How are Directors elected?
- 33 On what basis do the shareholders vote?
- 33 How may a Stockholder be represented by another stockholder at a general meeting of the Company?
- 33 How are vacancies in the board of Directors filled?
- 33 By whom are such officers as President, Vice-President, Secretary, Treasurer, etc., elected?
- 34 If Directors are not elected at the proper time, how are the affairs of the Company managed, and does such neglect dissolve the Company?
- 35 State briefly the powers of Directors?
- 37 What procedure is necessary in order that a Company may borrow money?
- 37 What limit is there to the amount the Company may borrow?
- 38 How may Directors collect Capital Stock?
- 39 Can interest be collected on Calls that are unpaid after the day set for such payment, and what rate?
- 40 Can a Stock-holder pay in a greater amount on his Stock than that

- 40 What rate of interest may the Directors pay on such dividends?
- 41 How may the shares be forfeited?
- 41 Does the liability of the Shareholder cease when a share is forfeited?
- 42 May the Directors enforce payment of Calls and interest, and in what way?
- 43 State concisely the books and other documents required under this Act to be kept by the Company?
- 44 By what persons and at what times may the books be inspected?
- 46 What is the penalty to a Company neglecting to keep such books?
- 47 Of what crime is a Director or officer of a Company held to be guilty who makes, or assists in making an untrue entry or neglects to make entries?
- 48 When is a transfer of shares held to be valid?
- 49 Under what conditions may shares be transferred, and what liabilities do Directors incur in transferring shares not fully paid up?
- 51 May shares be transferred against which there are unpaid calls?
- 54 What limit is there to the liabilities of share-holders?
- 56 Is an Executor, Administrator, Trustee or other officer who holds Stock for other persons, liable, personally, for the unpaid amount of the Stock?
- 57 Can a Trustee, Executor, or other officer holding Stock and Trust vote at general meetings?
- 58 State concisely the liabilities of Directors who pay a dividend that in any way impairs Capital Stock.
- 59 What liabilities do Directors incur in any other class of Company, except Loan Companies, when they make loans to share holders?
- 60 Are Directors liable in respect to wages?
- 62 Where must any summons or notice be served on a Company?
- 67 May actions at law be maintained between a Company and one of its Stock-holders, or between a Stock-holder and the Company?
- 72 Within what limits may any Company incorporated under this Act have an agency or office?
- 73 From what must a dividend not be paid?
- 74 What proportion of the Subscribed Capital is necessary to be represented on a requisition calling a special meeting?
- 76 To what documents is it not necessary to fix the corporate seal of the Company?
- 79 What penalty is a Company liable to, that neglects to keep its name printed on a sign at the head office?
- 79 What is the meaning of the word limited as used in the name of a Company?
- 79 To what penalty is an officer of the Company liable who fails to use the word limited in the name of such Company?
- 83 In what way and in what time may a Company forfeit its Charter?
- 85 When must a financial statement of the affairs of the Company be laid before the Stock-holders?

## THE ONTARIO JOINT STOCK COMPANIES' ACT

An Act respecting the incorporation of Joint Stock Companies by Letters Patent.

Her Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

### SHORT TITLE.

1 This Act may be cited as "*The Ontario Joint Stock Companies' Letters Patent Act*." R.S.O. 1877, c. 150, s. 1. Short title

### INTERPRETATION

2 Where the words following occur in this Act, and in all letters patent and supplementary letters patent issued under the same, they shall be construed in the manner hereinafter mentioned, unless a contrary intention appears: Interpretation.

1. "The letters patent" shall mean the letters patent incorporating a company for any purpose contemplated by this Act; "The letters patent;"
2. "The supplementary letters patent" shall mean any letters patent granted to the Company subsequent to the letters patent incorporating the company; "The supplementary letters patent;"
3. "The company" shall mean the company so incorporated by letters patent; "The Company;"
4. "The undertaking" shall mean the whole of the works and business of every kind which the company is authorized to carry on; "The undertaking;"
5. "Real estate" or "land" shall include all immovable real property of every kind; "Real Estate," "Land;"
6. "Shareholders" shall mean every subscriber to, or holder of stock in the company, and extend to, and include the personal representatives of the shareholder. R.S.O. 1877, c. 150, s. 2. "Shareholder;"

### LETTERS PATENT.

3.—(1) In case a corporation, now or hereafter incorporated under the laws of the Imperial Parliament of Great Britain and Ireland, desires to carry on any of its business within the Province of Ontario, the Lieutenant-Governor in Council may, by letters patent under the Great Seal of the Province, grant to such company, and such company may thenceforth use, exercise and enjoy within the Province, any powers, privileges and rights set forth in the letters patent as desired in or for carrying on the business of the company, and which it is within the authority of the Lieutenant-Governor in Council to grant to a company under this Act. Certain powers, etc., may be granted by letters patent to companies incorporated under Imperial Statute.

(2) No such letters patent shall be issued until such corporation has deposited in the office of the Provincial Secretary a true copy of the Act of Parliament, charter or other instrument incorporating the said company, verified in the manner which may be satisfactory to the Lieutenant Governor in Council. Copy of Act or other instrument of incorporation to be deposited with Provincial Secretary.

(3) The letters patent referring to such Act, charter or other instrument as aforesaid, or a copy of such Act, charter or other instrument aforesaid certified under the hand of the Provincial Secretary, shall be sufficient evidence, in any proceeding in any Court in this Province, of the incorporation of the company. Evidence of incorporation.



Matters provided for by Rev. Stat. c. 168 excepted

Companies formed for certain purposes may be incorporated by letters patent.

Rev. Stat. c. 167 s. 4.

Provisions respecting names of companies.

Notice to be given in the "Ontario Gazette" and what it shall contain.

Petition for letters patent.

Notices for incorporation by Legislature may in certain cases be accepted as notice for letters patent.

required by the Calls of the Directors?

(4) This section shall not apply to matters provided for by chapter 168 of these Revised Statutes. 43 V. c. 19, ss. 1-4.

4 The Lieutenant-Governor in Council may, by letters patent under the Great Seal, grant a charter to any number of persons, not less than five, who shall petition therefor, constituting such persons and others who may become share-holders in the company thereby created, a body corporate and politic, for any purposes or objects to which the legislative authority of the Legislature of Ontario extends, except the construction and working of railways and the business of insurance other than as provided by section 4 of *The Ontario Insurance Act*. R. S. O. 1877, c. 150, s. 3.

5 The name of the Province of Ontario or of some locality therein shall constitute part of the name of every company incorporated under this Act, except in cases where the Lieutenant-Governor in Council otherwise directs. 44 V. c. 18, s. 2; 48 V. c. 32, s. 1

6 The applicants for the letters patent must for at least four consecutive weeks give notice in the *Ontario Gazette*, of their intention to apply for the same, stating therein:—

(a) The proposed corporate name of the company, which shall not be that of any other known company, incorporated or unincorporated, or any name liable to be unfairly confounded therewith, or otherwise on public grounds objectionable;

(b) The object for which incorporation is sought;

(c) The place or places within the Province of Ontario, where its operations are to be carried on, with special mention if there be two or more such places, of some one of them as the chief place of business;

(d) The amount of capital stock;

(e) The number of shares and amount of each share;

(f) The names in full and the address and calling of each of the applicants, with special mention of the names of not less than three of their number, who are to be the first directors of the company. R.S.O. 1877, c. 150, s. 4.

7.—(1) At any time, not more than one month after the last publication of the notice, the applicants may petition the Lieutenant-Governor, through the Provincial Secretary, for the issue of the letters patent.

(2) The petition must state the facts required to be set forth in the notice, and must further state the amount of stock taken by each applicant, and also the amount, if any, paid in upon the stock of each applicant.

(3) The petition must also state whether the amount is paid in cash or by transfer of property, or how otherwise.

(4) In case the petition is not signed by all the shareholder whose names are proposed to be inserted in the letters patent, it shall be accompanied by a memorandum of association, signed by all the persons whose names are to be so inserted, or by their attorneys, lawfully authorized in writing, and such memorandum shall contain the particulars required by the next preceeding section.

(5) The petition may ask for the embodying in the letters patent, of any provision which otherwise under this Act might be embodied in any by-law of the company when incorporated. R.S.O. 1877, c. 150, s. 5.

8. Where a notice has been published according to the rules of the Legislative Assembly for an Act incorporating any company, the incorporation whereof is sought for objects for which incorporation is authorized by the Act, and a Bill has been introduced into the Assembly in accordance with



such notice, and is subsequently thrown out or withdrawn, then in case a petition to the Lieutenant-Governor for the incorporation under this Act of the company is filed with the Provincial Secretary within one month from the day of the termination of the Session of the Assembly for which the notice was given, the notice may be accepted in lieu of the notice required by section 6. R. S. O. 1877, c. 150, s. 6.

9. The Lieutenant-Governor may dispense with the publication of the notice mentioned in section 6, in any case in which the capital of the proposed company is \$3,000 or under. R. S. O. 1877, c. 150, s. 7.

Lieutenant-Governor may dispense with notice when capital \$3000 or under.

10. Before the letters patent are issued, the applicants must establish to the satisfaction of the Provincial Secretary, or of such other officer as may be charged by order of the Lieutenant-Governor in Council to report thereon, the sufficiency of their notice and petition, and that the proposed name is not the name of any other known incorporated or unincorporated company. R. S. O. 1877, c. 150, s. 8 (1).

Preliminary conditions, to be established.

11.—(1) The Provincial Secretary, the Assistant Provincial Secretary or such other officer, may for the purposes aforesaid, or for any other purpose under this Act, take and keep of record any requisite evidence in writing under oath or affirmation. R. S. O. 1877, c. 150, ss. 8 (2), 18 (3).

Proof of matters under this Act.

(2) Proof of any matter which may be necessary to be made under this Act may be made by affidavit or deposition before the Provincial Secretary, or Assistant Provincial Secretary, or before any Justice of the Peace or Commissioner for taking affidavits, or Notary Public, who are hereby authorized and empowered to administer oaths for that purpose. R. S. O. 1877, c. 150, s. 67.

12. The letters patent shall recite such of the material averments of the notice and petition so established, as the Lieutenant-Governor may find convenient to insert therein, and the Lieutenant-Governor may, if he thinks fit, give to the company a corporate name different from the name proposed by the applicants in the published notice; and the objects of the company as stated in the letters patent may vary from the objects stated in the said notice, provided the objects of the company as stated in the letters patent, are of a similar character to those contained in the notice published as aforesaid. R. S. O. 1877, c. 150, s. 9.

Name and objects of company may be varied.

13. Notice of the granting of the letters patent shall be forthwith given by the Provincial Secretary, in the *Ontario Gazette*, in the form of Schedule A to this Act; and from the date of the letters patent the persons therein named and their successors shall be a body corporate and politic by the name mentioned therein. R. S. O. 1877, c. 150, s. 10.

Notice of issuing letters patent. Completion of incorporation.

14.—(1) In case it is made to appear that any company is incorporated under a name the same as, or similar to, that of an existing company, it shall be lawful for the Lieutenant-Governor in Council to direct the issue of supplementary letters patent reciting the former letters, and changing the name of the company to some other name to be set forth in the supplementary letters patent; and no such alteration of name shall effect the rights or obligations of the company; and all proceedings may be continued and commenced by or against the company by its new name, that might have been continued or commenced by or against the company by its former name.

Change of name and supplementary letters patent.

(2) The High Court may compel an application under this section whenever a company improperly assumes the name of, or a name similar to, that of an existing company. R. S. O. 1877, c. 150, s. 11.

Compelling change of name.

Certain informal-  
ities not to inva-  
lidate letters  
patent.

15. The provisions of this Act relating to matter preliminary to the issue of the letters patent shall be deemed directory only ; and no letters patent or supplementary letters patent issued under this Act shall be held void or voidable, on account of any irregularity in any notice prescribed by this Act, or on account of the insufficiency or absence of such notice, or on account of any irregularity in respect of any other matter preliminary to the issue of the letters patent or supplementary letters patent. R. S. O. 1877, c. 150, s. 13.

General corpor-  
ate power of such  
companies.

16. Every company so incorporated may acquire, hold, alienate and convey real estate subject to any restrictions or conditions in the letters patent set forth, and shall forthwith become and be invested with all rights, real and personal, heretofore held by or for the company under a trust created with a view to its incorporation, and with all the powers, privileges and immunities requisite to the carrying on of its undertaking, as though the company had been incorporated by a special Act of the Legislature, making the company a body politic and corporate, and embodying all the provisions of this Act, and of the letters patent. R. S. O. 1877, c. 150, s. 14.

Sub-division of  
shares.

17. The directors of the company, may at any time, make a by-law subdividing the existing shares into shares of smaller amount. R. S. O. 1877, c. 150, s. 15.

By-laws to in-  
crease capital.

18.—(1) The directors of the company, at any time after nine-tenths of the capital stock of the company has been taken up, and ten per centum thereon paid in, but not sooner, may make a by-law for increasing the capital stock of the company to any amount which they consider requisite for the due carrying out of the objects of the company.

(2) The by-law shall declare the number and value of the shares of the new stock, and may prescribe the manner in which the same are to be allotted; otherwise the control of such allotment shall be held to rest absolutely in the directors. 44 V. c. 18, s. 1.

Discretion as to  
signing notice for  
increase of capital  
of joint stock  
companies.  
27 28 V. c. 23.

19. With regard to the increase of the capital stock of any company incorporated under the Act authorizing the granting of charters of incorporation to manufacturing, mining and other companies, passed in the 27th and 28th years of the reign of Her Majesty, chaptered 23, the incorporation of which is subject to the control of the Legislature of Ontario, the Provincial Secretary, or such other officer as may be named for the purpose, is not bound to sign the notice mentioned in sub-section 18 of section 5 of the said Act, and is to exercise his discretion in respect of the same, in view of all the facts, and subject to the direction of the Lieutenant-Governor in Council. This section is to be construed as declaratory of the intent, meaning and effect of the said sub-section. 49 V. c. 16, s. 32, *part*.

Reduction of cap-  
ital.

20.—(1) The directors of the company if they see fit at any time, may make a by-law for decreasing the capital stock of the company to any amount which they may consider sufficient for the due carrying out of the undertaking of the company, and advisable.

By-law for that  
purpose.

(2) The by-law shall declare the number and value of the shares of the stock as so decreased ; and the allotment thereof or the rule or rules by which the same is to be made.

Liability of share-  
holders on de-  
crease.

(3) The liability of shareholders to persons who were, at the time of the reduction of the capital, creditors of the company, shall remain as though the capital had not been decreased, R. S. O. 1877, c. 150, s. 17 (1-3).

21. No by-law for increasing or decreasing the capital stock of the company, or sub-dividing the shares, shall have any force or effect, until after it has been sanctioned by a vote of not less than two-thirds in value of the shareholders at a general meeting of the company duly called for considering the same, and afterwards confirmed by supplementary letters patent. R. S. O. 1877, c. 150, s. 17 (4).

Such by-laws must be approved by shareholders and confirmed by supplementary letters patent.

22.—(1) At any time not more than six months after the sanction of such by-laws, the directors may petition the Lieutenant-Governor, through the Provincial Secretary, for the issue of supplementary letters patent to confirm the same.

Petition for supplementary letters patent.

(2) With the petition they shall produce the by-law, and establish to the satisfaction of the Provincial Secretary, or of such other officer as may be charged by order of the Lieutenant-Governor in Council, to report thereon the due passage and sanction of the by-law, and if the petition is in respect of increase or decrease of capital, the *bona fide* character of the increase or decrease of capital, thereby provided for, and except as herein otherwise provided that notice of the application for supplementary letters patent has been inserted for four consecutive weeks in the *Ontario Gazette*. R. S. O. 1877, c. 150, s. 18 (1, 2).

By-law, etc., to be produced with petition.

(3) Where the capital of the company, or such capital as increased, does not exceed \$3,000, the Lieutenant-Governor may dispense with the insertion in the *Ontario Gazette* of a notice of the application. 45 V. c. 17, s. 5 (2).

When notice in GAZETTE may be dispensed with.

23. Upon due proof so made, the Lieutenant-Governor in Council may grant such supplementary letters patent under the Great Seal; and notice thereof shall be forthwith given by the Provincial Secretary in the *Ontario Gazette*, in the form of the Schedule B to this Act; and thereupon, from the date of the supplementary papers patent, the shares shall be sub-divided, or the capital stock, of the company shall be and remain increased or decreased, as the case may be, to the amount, in the manner, and subject to the conditions set forth by such by-law; and the whole of the stock, as so increased or decreased, shall become subject to the provisions of this Act, in like manner (so far as may be) as though every part thereof had formed part of the stock of the company originally subscribed. R. S. O. 1877, c. 150, s. 19.

Granting of supplementary letters patent.

Notice thereof.

Effect of such letters patent.

24. Section 18 and 20 to 23 of this Act shall apply to every company which has been incorporated by a special Act for purposes or objects within the scope of this Act. 45 V. c. 17, s. 5 (1).

Application of ss. 18 and 20-23.

25.—(1) The directors of any company incorporated under this Act or any other general Act of this Province, for the incorporation of companies by letters patent, may make a by-law for creating and issuing any part of the capital stock as preference stock, giving the same such preference and priority, as respects dividends and otherwise over ordinary stock, as may be declared by the by-law.

Joint Stock Companies may issue preferential stock.

(2) The by-law may provide that the holders of such preference shares shall have the right to select a certain stated proportion of the board of directors, or may give them such other control over the affairs of the company as may be considered expedient.

Power to preference share-holders.

(3) No such by-law shall have any force or effect whatever until after it has been unanimously sanctioned by the vote of the shareholders, present in person or by proxy at a general meeting of the company, duly called for considering the same, or unanimously sanctioned in writing by the shareholders of the company.

Sanction required as to preference shares.



Rights and liabilities of holders of preference stock.

(4) Holders of such preference stock shall be shareholders within the meaning of this Act, and shall in all respects possess the rights and be subject to the liabilities of shareholders within the meaning of this Act, provided, however, that in respect of dividends and otherwise they shall be against the original or ordinary shareholders, be entitled to the preference given by any by-law as aforesaid.

Rights of creditors continued.

(5) Nothing in this section shall affect or impair the rights of creditors of any company. 41 V. c. 8, s. 16.

Additional powers which may be granted by Supplementary Letters Patent.

26. In case a resolution, authorizing an application to the Lieutenant-Governor therefor, is passed by a vote of not less than two-thirds in value of the shareholders present in person or by proxy at a general meeting of the company, duly called for considering the subject of such resolution, the Lieutenant-Governor in Council may from time to time direct the issue of supplementary letters patent to the company, embracing any or all of the following matters :

1. Extending the powers of the company to any objects, within the scope of this Act, which the company may desire ;
2. Limiting or increasing the amount which the company may borrow upon debentures or otherwise ;
3. Providing for the formation of a reserve fund ;
4. Varying any provision contained in the Letters Patent, so long as the alteration desired is not contrary to the provisions of this Act ;
5. Making provision for any other matter or thing in respect of which provision might have been made by the original letters patent. 44 V. c. 18, s. 3.

Orders in Council as to notice of application.

27. The Lieutenant-Governor may, by Order in Council, to be notified in the *Ontario Gazette*, direct in what cases notice of application for supplementary letters patent shall be given in the *Gazette* or otherwise, and the nature of such notice, and he may in any case dispense with notice. 44 V. c. 18, s. 4.

Powers by the letters patent to be subject to this Act.

28. All powers given to the company by the letters patent or supplementary letters patent shall be exercised subject to the provisions and restrictions contained in this Act. R. S. O. 1877, c. 150, s. 20.

Board of directors.

29. The affairs of every such company shall be managed by a board of not less than three directors. R. S. O. 1877, c. 150, s. 21.

Provisional directors.

30. The persons named as directors, in the letters patent, shall be the directors of the company, until replaced by others duly appointed in their stead. R. S. O. 1877, c. 150, s. 22.

Qualification of directors.

31. No person shall be elected or appointed as a director thereafter, unless he is a shareholder, owning stock absolutely in his own right, and not in arrears in respect of any call thereon. R. S. O. 1877, c. 150, s. 23.

After directors, to be elected.

32. The after directors of the company shall be elected by the shareholders in general meeting of the company assembled at some place within this Province, at such times, in such wise, and for such term, not exceeding two years, as the letters patent, or (in default thereof) the by-laws of the company may prescribe. R. S. O. 1877, c. 150, s. 24.

Mode of election.

33. In default only of other express provisions in such behalf, by the letters patent or by-laws of the company ;

1. Such election shall take place yearly, all the members of the board <sup>Yearly.</sup> retiring, and (if otherwise qualified) being eligible for re-election; R. S. O. 1877, c. 150, s. 25 (1).

2. Notice of the time and place for holding general meetings of the com- <sup>Notice.</sup>pany shall be given at least ten days previously thereto, in some newspaper published at or as near as may be to the office or chief place of business of the company; and also, in the case of companies having a capital exceeding \$3,000, either by publishing the same in the *Ontario Gazette* or by mailing the same as a registered letter, duly addressed to each shareholder at least ten days previous to such meeting; R. S. O. 1877, c. 150, s. 25 (2); 48 V. c. 32, s. 3.

3. At all general meetings of the company, every shareholder shall be <sup>Votes.</sup> entitled to as many votes as he owns shares in the company, and may vote by proxy;

4. Elections of directors shall be by ballot;

<sup>Ballot.</sup>

5. Vacancies occurring in the board of directors may, unless the by-laws <sup>Vacancies.</sup> otherwise direct, be filled for the unexpired remainder of the term, by the board, from among the qualified shareholders of the company;

6. The directors shall, from time to time, elect from among themselves, a <sup>President and Officers.</sup> president of the company; and shall also name, and may remove at pleasure, all other officers thereof. R. S. O. 1877, c. 150, s. 25 (3-6).

34. If at any time an election of directors is not made, or does not take <sup>Failure to elect directors, how remedied.</sup> effect at the proper time, the company shall not be held to be thereby dissolved; but such election may take place at any general meeting of the company duly called for that purpose; and the retiring directors shall continue in office until their successors are elected. R. S. O. 1877, c. 150, s. 26.

35.—(1) A company incorporated under this Act may by by-law increase <sup>Change of number of directors or of head office.</sup> or decrease the number of its directors, or may change the company's chief place of business in Ontario.

(2) No by-law for either of the said purposes shall be valid or acted upon unless it is sanctioned by a vote of not less than two-thirds in value of the share-holders present, in person or by proxy, at a general meeting duly called for considering the by-law, nor until a copy of the by-law has been certified under the seal of the company to the Provincial Secretary, and also has been published in the *Ontario Gazette*. R. S. O. 1877, c. 150, s. 27.

36. The directors of the company shall have full power in all things to <sup>Powers and duties of directors.</sup> administer the affairs of the company; and may make, or cause to be made, for the company, any description of contract which the company may by law enter into. R. S. O. 1877, c. 150, s. 28.

37. The directors may, from time to time, make by-laws not contrary to <sup>By-laws.</sup> law, or to the letters patent of the company, or to this Act to regulate—

(a) The allotment of stock; the making of calls thereon; the payment <sup>Stock.</sup> thereof; the issue and registration of certificates of stock; the forfeiture of stock for non-payment; the disposal of forfeited stock and of the proceeds thereof; the transfer of stock;

(b) The declaration and payment of dividends;

<sup>Dividends.</sup>

(c) The numbers of directors, their term of service, the amount of their <sup>Directors.</sup> stock qualification;

(d) The appointment, functions, duties and removal of all agents, officers <sup>Officers.</sup> and servants of the company; the security to be given by them to the company; and their remuneration;

Meetings.

(e) The time at which, and place where the annual meetings of the company shall be held; the calling of meetings, regular and special, of the board of directors, and of the company; the quorum; the requirements as to proxies; and the procedure in all things at such meetings;

Fines.

(f) The imposition and recovery of all penalties and forfeitures admitting of regulation by by-law; and

Conduct of affairs generally.

(g) The conduct in all other particulars of the affairs of the company;

Confirmation of by-laws.

and may from time to time, repeal, amend or re-enact the same; but every such by-law, and every appeal, amendment or re-enactment thereof, unless in the meantime confirmed at a general meeting of the company, duly called for that purpose, shall only have force until the next annual meeting of the company; and in default of confirmation thereat, shall, at and from that time only, cease to have force; and in that case no new by-law to the same or like effect shall have any force, until confirmed at a general meeting of the company. R. S. O. 1877, c. 150, s. 29.

Power to issue bonds or debentures, and

38.—(1) In case a by-law, authorizing the same, is sanctioned by a vote of not less than two-thirds in value, of the said shareholders, then present in person or by proxy, at a general meeting duly called for considering the by-law, the directors may borrow money upon the credit of the company, and issue the bonds, debentures, or other securities of the company, and may sell the said bonds, debentures, or other securities at such prices as may be deemed expedient or be necessary; but no such debentures shall be for a less sum than \$100.

to grant mortgages.

(2) The directors may, under the like sanction, hypothecate, mortgage, or pledge the real or personal property of the company, to secure any sum or sums borrowed for the purposes thereof. R. S. O. 1877, c. 150, s. 30.

Special meetings.

39. One fourth part in value of the shareholders of the company shall at all times have the right to call a special meeting thereof, for the transaction of any business specified in such written requisition and the notice calling the meeting. R. S. O. 1877, c. 150, s. 31.

Evidence of by-laws.

40. A copy of any by-law of the company, under its seal, and purporting to be signed by any officer of the company, shall be received as *prima facie* evidence of the by-law in all Courts in Ontario. R. S. O. 1877, c. 150, s. 32.

Stock, personal estate.

41. The stock of the company shall be deemed personal estate, and shall be transferable, in such manner only, and subject to all such conditions and restrictions as by this Act, or by the letters-patent or by-laws of the company, may be prescribed. R. S. O. 1877, c. 150, s. 33.

Allotment of stock.

42. If the letters patent make no other definite provision the stock of the company, so far as it is not allotted thereby, shall be allotted when and as the directors by by-law or otherwise ordain. R. S. O. 1877, c. 150, s. 34.

Disposal of stock.

43. No by-law for the allotment or sale of stock at any greater discount or at any less premium than what has been previously authorized at a general meeting, or for the payment of the president or any director, shall be valid or acted upon until the same has been confirmed at a general meeting. R. S. O. 1877, c. 150, s. 35.

Payment to president of directors.

44. The directors of the company may call in and demand from the shareholders thereof, respectively, all sums of money by them subscribed, at such times and places and in such payments or instalments, as the letters patent, or this Act, or the by-laws of the company require or allow; and interest shall accrue and fall due, at the legal rate for the time being, upon the amount of any unpaid call, from the day appointed for payment of such call. R. S. O. 1877, c. 150, s. 36.

Calling in instalments.

45. Not less than ten per centum upon the allotted stock of the company shall, by means of one or more calls, be called in and made payable within one year from the incorporation of the company; the residue, when and as the by-laws of the company direct. R. S. O. 1877, c. 150, s. 37.

Calls.

Ten per cent. within first year.

46. The company may enforce payment of all calls and interest thereon, by action in any Court of competent jurisdiction; and in such action it shall not be necessary to set forth the special matter, but it shall be sufficient to state that the defendant is a holder of one share or more, stating the number of shares, and is indebted in the sum of money to which the calls in arrears amount, in respect of one call or more upon one share or more, stating the number of calls and the amount of each, whereby an action has accrued to the company under this Act; and a certificate under the seal and purporting to be signed by any officer of the company, to the effect that the defendant is a shareholder, that such call or calls has or have been made and that so much is due by him and unpaid thereon, shall be received in all Courts as *prima facie* evidence to that effect. R. S. O. 1877, c. 150, s. 38.

Enforcement of payment of calls, by action.

47. If after such demand or notice as by the letters patent or by-laws of the company is prescribed, any call made upon any share or shares is not paid within such time as by such letters patent or by-laws may be limited in that behalf, the directors in their discretion, by vote to that effect, reciting the facts and duly recorded in their minutes, may summarily forfeit any shares whereon such payment is not made; and the same shall thereupon become the property of the company and may be disposed of as by by-law or otherwise the company may ordain. R. S. O. 1877, c. 150, s. 39.

Forfeiture of shares.

48. No share shall be transferable, until all previous calls thereon have been fully paid in, or until declared forfeited for non-payment of calls thereon. R. S. O. 1877, c. 150, s. 40.

Restriction as to transfers.

49. No shareholder being in arrear in respect of any call shall be entitled to vote at any meeting of the company. R. S. O. 1877, c. 150, s. 41.

Shareholders in arrear not to vote.

50. The company shall cause a book or books to be kept by the secretary, or by some other officer especially charged with that duty, wherein shall be kept recorded—

Record books to be kept and what to contain.

(a) A copy of the letters patent incorporating the company, and of any supplementary letters patent issued to the company, and of all by-laws thereof;

(b) The names alphabetically arranged, of all persons who are or have been shareholders;

(c) The address and calling of every such person while such shareholder;

(d) The number of shares of stock held by each shareholder;

(e) The amount paid in, and remaining unpaid, respectively, on the stock of each shareholder;

(f) All transfers of stock, in their order as presented to the company for entry, with the date and other particulars of each transfer, and the date of the entry thereof; and



(g) The names, addresses and calling of all persons who are or have been directors of the company ; with the several dates at which each person became or ceased to be such director. R. S. O. 1877, c. 150, s. 42.

Refusal to enter transfer if calls not paid.

51. The directors may refuse to allow the entry, into any such book, of any transfer of stock whereon any call has been made which has not been paid in. R. S. O. 1877, c. 150, s. 43.

Transfer valid only after entry.

52. No transfer of stock, unless made by sale under execution, or under the order or judgement of some competent Court in that behalf, shall be valid for any purpose whatever, save only as exhibiting the rights of the parties thereto toward each other, and as rendering the transferee liable, *ad interim*, jointly and severally with the transferor, to the company and its creditors, until entry thereof has been duly made in the books of the company. 48 V. c. 33, s. 4.

Books to be open for inspection.

53. Such book shall, during reasonable business hours of every day, except Sundays and holidays, be kept open for the inspection of shareholders and creditors of the company, and their personal representatives, at the office or chief place of business of the company ; and every such shareholder, creditor or representative, may make extracts therefrom. R. S. O. 1877, c. 150, s. 45.

Books to be prima facie evidence.

54. Such books shall be *prima facie* evidence of all facts purporting to be thereby stated, in any action or proceeding against the company or against any shareholder. R. S. O. 1877, c. 150, s. 46.

Penalty for false entries.

55. No director, officer or servant of the company, shall knowingly make or assist to make any untrue entry in any such book, or shall refuse or neglect to make any proper entry therein ; and any person violating the provisions of this section shall, besides any criminal liability which he may thereby incur, be liable in damages for all loss or injury which any person interested may have sustained thereby. R. S. O. 1877, c. 150, s. 47.

Liability for refusal to allow inspection of books.

56. Any director or officer who refuses to permit any person entitled thereto to inspect such book or books, or make extracts therefrom, shall forfeit and pay to the party aggrieved the sum of \$100 ; and in case the amount is not paid within seven days after the recovery of judgment, the Court in which the judgment is recovered, or a Judge thereof, may direct the imprisonment of the offender for any period not exceeding three months unless the amount with costs is sooner paid. R. S. O. 1877, c. 150, s. 48.

Lists of shareholders and statements of affairs to be made yearly.

57.—(1) Every company incorporated under this Act shall on or before the first day of February, in every year, make a list, in duplicate, verified as is hereinafter required, of all persons who on the thirty-first day of December previously, were shareholders of the company ; and such list shall state the names alphabetically arranged, and the addresses and callings of all such persons, the amount of stock held by them, and the amount unpaid thereon ; and shall also make out a summary in duplicate, verified as hereinafter required, of the state of the affairs of the company, on the thirty-first day of December preceding. R. S. O. 1877, c. 150, s. 49 (1) ; 45 V. c. 17, s. 4 (3, *part*).

Contents of statement.

(2) The summary shall contain the following particulars :

*Firstly*, The names and residences and post office addresses of the directors, secretary, and treasurer of the company ;

*Secondly*, The amount of the capital of the company and the number of shares into which it is divided ;



*Thirdly*, The number of shares taken from the commencement of the company up to the thirty-first day of December preceding the date of the summary ;

*Fourthly*, The amount of stock (if any) issued free from call ; if none is so issued, this fact to be stated ;

*Fifthly*, The amount issued subject to call ;

*Sixthly*, The amount of calls made on each share ;

*Seventhly*, The total amount of calls received ;

*Eighthly*, The total amount of calls unpaid ;

*Ninthly*, The total amount of shares forfeited ;

*Tenthly*, The total amount of shares which have never been allotted or taken up ;

*Eleventhly*, The total amount for which shareholders of the company are liable in respect of unpaid stock held by them ;

*Twelfthly*, The said summary may also, after giving the information hereinbefore required, give in a concise form, such further information respecting the affairs of the company, as the directors may consider expedient. R. S. O. 1877, c. 150, s. 49 (2).

(3). Every company so long as it carries on the business of warehousing crude petroleum shall add the following additional particulars in the summary :—

(a) The total quantity of crude petroleum actually held by the company for the purpose of answering transportation and warehouse receipts, accepted orders, and certificates of crude petroleum.

(b) The total quantity of crude petroleum in respect of which the company as warehousemen or carriers are liable to make delivery to other persons. 48 V. c. 25, s. 2 (1-2). See Cap. 122, s. 21.

(4) The list and summary, and every duplicate thereof required by this Act, shall be written or printed on only one side of the sheet or sheets of paper containing the same. Mode of writing  
thereof the same.

(5) The list and summary shall be verified by the affidavit of the president and secretary, and if there are no such officers, or they, or either of them, are or is, at the proper time, out of this Province, or otherwise unable to make the same, by the affidavit of the president or secretary and one of the directors, or two of the directors, as the case may require ; and if the president or secretary does not make or join in the affidavit, the reason thereof shall be stated in the substituted affidavit. R. S. O. 1877, c. 150, s. 49 (3, 4). Verification  
thereof

(6) One of the duplicate lists and summaries, with the affidavits of verification, shall be posted in the head office of the company in Ontario, on or before the second day of February ; and the company shall keep the same so posted, until another list and summary are posted under the provisions of this Act ; and the other duplicate list and summary, verified as aforesaid, shall be deposited with the Provincial Secretary, on or before the eighth day of February next after the time hereinbefore fixed for making the summary. R. S. O. 1877, c. 150, s. 49 (5) ; 45 V. c. 17, s. 4 (3, *part*). Posting thereof.  
  
Deposit with  
Provincial Secretary.

(7) If a company makes default in complying with the provisions of this section, the company shall incur a penalty of \$20 for every day during which the default continues, and every director, manager or secretary of the company, who knowingly and wilfully authorizes or permits such default, shall incur the like penalty. R. S. O. 1877, c. 150, s. 49 (6). Penalty for default.

When section  
not to apply.

(8) This section shall not be applied to any company until the first day of February next after the first thirty-first day of December, after the company has been organized, or has gone into actual operation, whichever shall first happen, and shall not be held to apply to any company which has ceased to carry on business ; and upon its being proved that any company to which this Act applies did not transact any business (other than the payment of taxes or the making of a return, or the furnishing of any list, statement, or other information to the Government of Ontario, or to any officer or department thereof) during the year for which it is alleged a return in accordance with the requirements of law has not been made such company shall be deemed to have ceased to carry on business within the meaning of this sub-section. 44 V. c. 21, ss. 3, 4.

Company not to  
be liable in  
respect of trusts,  
etc.

58. The company shall not be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share ; and the receipt of the shareholder in whose name the same stands in the books of the company, shall be a valid and binding discharge to the company for any dividend or money payable in respect of such share, whether or not notice of the trust has been given to the company ; and the company shall not be bound to see to the application of the money paid upon such receipt. R. S. O. 1877, c. 150, s. 50.

Contracts, etc.,  
when to be bind-  
ing on company.

59.—(1) Every contract, agreement, engagement or bargain made, and every bill of exchange drawn, accepted or endorsed, and every promissory note and cheque made, drawn or endorsed on behalf of the company by any agent, officer or servant of the company, in general accordance with his powers as such under the by-laws of the company, shall be binding upon the company ; and in no case shall it be necessary to have the seal of the company affixed to any such contract, agreement, engagement, bargain, bill of exchange, promissory note or cheque, or to prove that the same was made, drawn, accepted or endorsed, as the case may be, in pursuance of any by-law, or special vote or order ; nor shall the party so acting as agent, officer or servant of the company, be thereby subjected individually to any liability whatsoever to any third party therefor.

Proviso as to  
notes, banking  
and insurance.

(2) Nothing in this Act shall be construed to authorize the company to issue any note payable to the bearer thereof, or any promissory note intended to be circulated as money, or as the note of a bank, or to engage in the business of banking or insurance. R. S. O. 1877, c. 150, s. 51.

Not to purchase  
stock in other  
corporations.

60. No company shall use any of its funds in the purchase of stock in any other corporation, unless expressly authorized by by-law confirmed at a general meeting. R. S. O. 1877, c. 150, s. 52.

Liability of share-  
holders.

61.—(1) Each shareholder, until the whole amount of the stock has been paid up, shall be individually liable to the creditors of the company, to an amount equal to that not paid up thereon, but shall not be liable to an action therefor by any creditor, before an execution against the company has been returned unsatisfied in whole or in part ; and the amount due on such execution, but not beyond the amount so unpaid of his said stock, shall be the amount recoverable with costs against such shareholder.

Set off.

(2) Any shareholder may plead by way of defence, in whole or in part, any set-off which he could set up against the company, except a claim for unpaid dividends, or a salary, or allowance as a president or a director of the company. 48 V. c. 33, ss. 2, 3.

62. The shareholders of the company shall not as much be held responsible for any act, default, or liability whatsoever, of the company, or for any engagement, claim, payment, loss, injury, transaction, matter or thing whatsoever, relating to or connected with the company, beyond the unpaid amount of their respective shares in the capital stock thereof. 48 V. c. 33, s. 8.

Shareholders not liable beyond amount of stock.

63. No person holding stock in the company as executor, administrator, guardian or trustee, shall be personally subject to liability as a shareholder ; but the estates and funds in the hands of such person shall be liable in like manner and to the same extent, as the testator or intestate or the minor, ward, or person interested in the trust fund, would be, if living and competent to act and holding such stock in his own name. 48 V. c. 33, s. 5.

Trustees, e'c., not personally liable.

64. No person holding stock as collateral security shall be personally subject to liability as a shareholder, but the person pledging such stock as such collateral security shall be considered as holding the same, and shall be liable as a shareholder in respect thereof. 48 V. c. 33, s. 6.

Mortgagees.

65. Every executor, administrator, guardian or trustee, shall represent the stock in his hands, at all meetings of the company, and may vote accordingly as a shareholder ; and every person who pledges his stock may nevertheless represent the same at all such meetings, and may vote accordingly as a shareholder. R. S. O. 1877, c. 150, s. 56. See Cap. 156, s. 41

Trustee, etc., may vote.

Mortgagor of stock may vote.

66. The directors of the company shall not declare or pay any dividend when the company is insolvent, or any dividend the payment of which renders the company insolvent, or diminishes the capital stock thereof, but if any director present when such dividend is declared, forthwith, or if any director then absent, within twenty four hours after he has become aware thereof and able so to do, enters on the minutes of the board of directors his protest against the same, and within eight days thereafter causes such protest to be published in at least one newspaper published at or as near as may be possible to, the office or chief place of business of the company, such director may thereby, and not otherwise, exonerate himself from liability. R. S. O. 1877, c. 150, s. 57.

Liability of directors declaring a dividend when company is insolvent, etc.

How a director may avoid such liability.

67. No loan shall be made by the company to any shareholder, and if such loan is made, all directors and other officers of the company making the same, and in anywise assenting thereto, shall be jointly and severally liable to the company for the amount thereof, and also to third parties, to the extent of such loan with legal interest, for all debts of the company contracted from the time of the making of the loan to that of the repayment thereof ; but this section shall not apply to a Building Society, or to a company incorporated for the lending of money. R. S. O. 1877, c. 150, s. 58.

No loan by company to shareholder.

Except in certain cases.

68. The directors of the company shall be jointly and severally liable to the labourers, servants and apprentices thereof, for all debts not exceeding one year's wages due for services performed for the company while they are such directors respectively ; but no director shall be liable to an action therefor, unless the company has been sued therefor within one year after the debt became due, nor yet unless such director is sued therefor within one year from the time when he ceased to be such director, nor yet before an execution against the company has been returned unsatisfied in whole or in part ; and the amount due on such execution shall be the amount recoverable with costs against the directors. R. S. O. 1877, c. 150, s. 59.

Liability of directors for wages.



Mode of incorporation, etc., how to be set forth in legal proceedings.

69. In an action or other proceeding, it shall not be requisite to set forth the mode of incorporation of the company, otherwise than by mention of it under its corporate name, as incorporated by virtue of letters patent, or of letters patent and supplementary letters patent, as the case may be under this Act; and the letters patent or supplementary letters patent themselves, or any exemplification or copy thereof under the Great Seal, shall be conclusive proof of every matter and thing therein set forth. R. S. O. 1877, c. 150, s. 62.

Forfeiture of charter for non-user.

70. The charter of the company shall be forfeited by non-user during three consecutive years at any one time, or if the company does not go into actual operation within three years after it is granted: and no declaration of such forfeiture by any Act of the Legislature shall be deemed an infringement of such charter. R. S. O. 1877, c. 150, s. 63.

Fees on letters patent, etc., to be fixed by Order in Council.

71.—(1) The Lieutenant-Governor in Council may from time to time establish, alter, and regulate the tariff of the fees to be paid on applications under this Act; may designate the Department or Departments through which the issue of letters patent or supplementary letters shall be made; and may prescribe the forms of proceeding and record in respect thereof, and all other matters requisite for carrying out the objects of this Act. R. S. O. 1877, c. 150, s. 64 (1); 47 V. c. 27, s. 6.

2 Such fees may be made to vary in amount, under any rule or rules—as to nature of company, amount of capital, and otherwise—that may be deemed expedient.

(3) No step shall be taken in any Department toward the issue of any letters patent or supplementary letters patent under this Act, until after all fees therefor have been duly paid. R. S. O. 1877, c. 150, s. 64 (2, 3).

Subsisting companies may apply under this Act,

72.—(1) Any company incorporated, for purposes or objects within the scope of this Act, or within the scope of this Act as it may be hereafter amended, whether under a special or a general Act, and being at the time of its application a subsisting and valid corporation, may apply for letters patent under this Act; and the Lieutenant-Governor in Council, upon proof that notice of the application has been inserted for four weeks in the *Ontario Gazette*, may direct the issue of letters patent incorporating the shareholders of the said company as a company under this Act, and thereupon all the rights or obligations of the former company shall be transferred to the new company, and all proceedings may be continued and commenced by or against the new company, that might have been continued or commenced by or against the old company, and it shall not be necessary in any such letters patent to set out the names of the shareholders; and after the issue of the letters patent, the company shall be governed in all respects by the provisions of this Act, except that the liability of the shareholders to creditors of the old company shall remain as at the time of the issue of the letters patent. R. S. O. 1877, c. 150, s. 65; 45 V. c. 17, s. 3.

(2) Where a company is re-incorporated under the preceding sub-section the Lieutenant-Governor may, by the letters patent, increase the capital stock of the company to any amount which the shareholders of the company applying for re-incorporation may, by a resolution passed by a vote of not less than two-thirds in value of those present in person or by proxy at a general meeting of the company duly called for considering the same, have declared to be requisite for the due carrying out of the objects of the company.

(3) The resolution may prescribe the manner in which the new stock is to be allotted; and in default of its so doing, the control of the allotment shall vest absolutely in the directors of the new company. 47 V. c. 27, s. 5.



**73.** Where an existing company applies for the issue of letters patent under the provisions of the preceding section, the Lieutenant-Governor may by the letters patent extend the powers of the company to such other objects within the scope of this Act as the applicants desire, and as the Lieutenant-Governor thinks fit to include in the letters patent, and may by the said letters patent name the first directors of the new company, and the letters patent may be to the new company by the name of the old company or by any other name. R. S. O. 1877, c. 150, s. 66; 45 V. c. 17, s. 3.

Existing companies may apply for letters patent with extended powers.

**74.—(1)** Where a company incorporated under a special Act or under this Act is Authorized to execute the office of executor, administrator, trustee, receiver, assignee, guardian of a minor, or committee of a lunatic, then in case the Lieutenant-Governor in Council shall approve of such company being accepted by the High Court as a Trusts Company for the purposes of such Court, the said Court, or any Judge thereof, and every other Court or Judge having authority to appoint such an officer, may, with the consent of the company, appoint such company to exercise any of the said offices in respect of any estate, or person, under the authority of such Court or Judge, or may grant to such company probate of any will in which such company is named an executor; but no company which has issued, or has authority to issue, debentures shall be approved as aforesaid.

Appointment of companies to act as trustee, etc.

(2) Notwithstanding any rule of practice, or any provision of any Act requiring security, it shall not be necessary for the said company to give any security for the due performance of its duty as such executor, administrator, trustee, receiver, assignee, guardian or committee, unless otherwise ordered.

(3) The Lieutenant-Governor in Council may revoke the approval given under this section, and no Court, or Judge, after notice of such revocation, shall appoint any such company to be an administrator, trustee, receiver, assignee, guardian, or committee, unless such company gives the like security for the due performance of its duty as would be required from a private person. 45 V. c. 17, s. 2 (1-3).

**75.** The liability of the company to persons interested in an estate held by the said company as executor, administrator, trustee, receiver, assignee, guardian, or committee as aforesaid, shall be the same as if the estate had been held by any private person in such capacities respectively, and its powers shall be the same. 45 V. c. 17, s. 2 (4).

Liability of company acting as trustee.

**76.—(1)** The High Court, if it deems necessary, may from time to time appoint a suitable person to investigate the affairs and management of the company, who shall report thereon to the Court, and regarding the security afforded to those by or for whom its engagements are held, and the expense of such investigations shall be defrayed by the company; or the Court may, if it deems necessary, examine the officers or directors of the company under oath as to the security aforesaid.

Investigation of affairs of company.

(2) The Lieutenant-Governor may also from time to time, when he deems it expedient, appoint an inspector to examine the affairs of the company, and report to him on the security afforded to those by and for whom its engagements are held as aforesaid; and the expense of the investigation shall be borne by the company. 45 V. c. 17, s. 2 (5, 6).

**77.—(1)** Every Court into which money is paid by parties, or is brought by order or judgement, may by order direct the same to be deposited with any such company that may agree to accept the same, and the company may pay any lawful rate of interest on such moneys as may be agreed upon, and when no special arrangement is made, interest shall be allowed by the company at the rate of not less than three per centum annually.

Deposit with company of money paid into Court.

Mode of invest-  
ment.

(2) Every such company may invest any trust moneys in its hands in any securities in which private trustees may by law invest trust moneys, and may also invest such moneys (a) in the public stock funds or Government securities of any of the Provinces of the Dominion, or in any securities guaranteed by the United Kingdom of Great Britain and Ireland, or by the Dominion, or by any of the said Provinces; (b) or in the bonds or debentures of any municipal corporation in any of the said Provinces;

Provided that such company shall not in any case invest the moneys of any trust in securities prohibited by the trust, and shall not invest moneys intrusted to it by any Court in a class of securities disapproved of by the Court. 45 V. c. 17, s. 2 (7-8).

Letters Patent  
for certain pur-  
poses may be  
granted to com-  
panies incorpor-  
ated under  
special Acts.

78.—(1) Where any company has been incorporated by a special Act, before the 10th day of March, 1882, for purposes or objects within the scope of this Act, then, in case a resolution authorizing an application to the Lieutenant-Governor therefor is passed by a vote of not less than two-thirds in value of the shareholders present, in person or by proxy, at a general meeting of the company, duly called for considering the subject of such resolution, the Lieutenant-Governor in Council may from time to time direct the issue of letters patent to the company, embracing any or all of the following matters:

- (a) Extending the powers of the company to any objects within the scope of this Act, which the company may desire;
- (b) Limiting or increasing the amount which the company may borrow upon debentures or otherwise;
- (c) Providing for the formation of a reserve fund;
- (d) Varying any provision contained in the special Act, so long as the alteration is not contrary to the provisions of this Act;
- (e) Making provision for any other matter or thing in respect of which provision might have been made had the company been incorporated under this Act.

(2) No power to execute the office of executor, administrator, trustee, receiver, assignee, guardian of a minor, or committee of a lunatic, shall be conferred under this section upon any company which has authority to issue debentures; and no company incorporated under this Act, with power to execute such office, shall issue debentures. 45 V. c. 17, s. 4 (1, 2).

Winding up Acts  
to apply.

79. The company shall be subject to the provisions of any Act of the Legislature for the winding up of joint stock companies. R. S. O. 1877, c. 150, s. 68.

## SCHEDULE A.

(Section 13.)

### NOTICE OF GRANTING LETTERS PATENT.

Public notice is hereby given, that under *The Ontario Joint Stock Companies' Letters Patent Act*, Letters Patent have been issued under the Great Seal of the Province of Ontario, bearing date the \_\_\_\_\_ day of \_\_\_\_\_ incorporating [here state the names, address and calling of each corporator named in the Letters Patent], for the purpose of [here state the undertaking of the company as set forth in the Letters Patent] by the name of [here state the name of the Company in the Letters Patent], with a total capital stock of \$ \_\_\_\_\_, divided into \_\_\_\_\_ shares of \$ \_\_\_\_\_ each.

Dated at the office of the Provincial Secretary of Ontario, the \_\_\_\_\_ day of \_\_\_\_\_

A. B.,

Provincial Secretary.

R. S. O. 1877, c. 150, Sched. A.

SCHEDULE B.

(Section 23).

NOTICE OF GRANTING SUPPLEMENTARY LETTERS PATENT.

Public notice is hereby given, that under *The Ontario Joint Stock Companies' Letter Patent Act*, Supplementary Letters Patent have been this day issued under the Great Seal of the Province of Ontario, bearing date the \_\_\_\_\_ day \_\_\_\_\_ whereby the total capital stock of [here state the name of the Company] is increased [or decreased, as the case may be] from \$ \_\_\_\_\_ to \$ \_\_\_\_\_ [or whereby the capital stock of the company of \_\_\_\_\_ shares of \$ \_\_\_\_\_ each is sub-divided into \_\_\_\_\_ shares of \$ \_\_\_\_\_ each].

Dated at the office of the Provincial Secretary of Ontario, this \_\_\_\_\_ day of \_\_\_\_\_

A. B.,

Provincial Secretary.

R. S. O. 1877, c. 159, *Sched. B.*

52 VIC., CHAPTER 26.

An Act respecting the limited liability of Incorporated Companies.

[Assented to 23rd March, 1889.]

Her Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows :

1. This Act applies to companies incorporated under *The Ontario Joint Stock Companies' Letters Patent Act*, subsequently to the passing of this Act, and shall also be deemed to be incorporated with and added to *The Ontario Joint Stock Companies' General Clauses Act* as regards any company incorporated by any special Act passed after the present Session of this Legislature.

Application of  
Act.  
Rev. Stat. c.  
157.  
Rev. Stat. c.  
156.

2. The directors of every such company shall be jointly and severally liable upon every written contract or undertaking of the company on the face whereof the word "limited" or the words "limited liability" are not distinctly written or printed after the name of the company where it first occurs in such contract or undertaking.

Directors liable  
on written con-  
tracts, which do  
not show limited  
liability.

3. The company shall keep painted or affixed its name with the word "limited" after the name, on the outside of every office or place in which the business of the company is carried on, in a conspicuous position, in letters easily legible; and shall have its name, with the said word after it, engraven in legible characters on its seal, and shall have its name with the said word after it, mentioned in legible characters in all notices, advertisements and other official publications of the company, and in all bills of exchange, promissory notes, indorsements, cheques and orders for money or goods purporting to be signed by or on behalf of such company, and in all bills of parcels, invoices and receipts of the company.

Word "limited"  
to be inserted on  
all notices, etc.

4. Every such company which does not keep painted or affixed its name, with the word "limited" after it, in manner directed by this Act, shall incur a penalty of \$20 for every day during which such name is not so kept painted or affixed.

Penalty for vio-  
lation of preced-  
ing section.

5. Every director and manager of the company who knowingly and wilfully authorizes or permits such default, shall be liable to the like penalty.

Penalty for per-  
mitting violation.

Penalty for using  
or authorising  
use of seal with-  
out word "limit-  
ed" on it.

6. Every director, manager or officer of the company, and every person on its behalf, who uses or authorizes the use of any seal purporting to be a seal of the company whereon its name, with the said word "limited" after it, is not so engraved as aforesaid, or who issues or authorizes the issue of any notice advertisement or other official publication of such company, or who signs or authorizes to be signed on behalf of such company any bill of exchange, promissory note, indorsement, cheque, order for money or goods, or who issues or authorizes to be issued any bill of parcels, invoice or receipt of the company, wherein its name, with the said word after it, is not mentioned in manner aforesaid, shall incur a penalty of \$200 and shall also be personally liable to the holder of any such bill of exchange, promissory note, cheque or order for money or goods for the amount thereof, unless the same is duly paid by the company.

#### 54 VIC., CHAPTER 34.

An Act respecting the Liability of Directors.

[Assented to 4th May, 1891.]

Short title.

Her Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

1. This Act may be cited as the "*Director's Liability Act, 1891.*"

Interpretation.

2. In this Act, unless the context otherwise requires:—

"Untrue statement."

(1) "Untrue statement" includes a concealment of intentional non-disclosure of a material fact known to the director or promoter which might reasonably influence a person in determining whether to apply or not to apply for shares, debenture stock, annuities on lives, or other securities of the company for which application is invited.

"Securities."

(2) "Securities" includes bonds, debentures, investment bonds; also policies, certificates, or other instruments of insurance, suretyship, or guarantee, or instruments evidencing contracts in the nature thereof.

"Company."

(3) "Company" includes any joint stock or other private corporation which issues, or is authorized to issue, shares, debenture stock, annuities on lives, or other securities as hereinbefore defined.

"Directors."

(4) "Directors" includes the officers, by whatever name known, appointed to manage the affairs of the corporation.

"Promoter."

(5) "Promoter" means a promoter who was a party to the preparation of the prospectus or notice, or of the portion thereof containing such untrue statement, but shall not include any person by reason of his acting in a professional capacity for persons engaged in procuring the formation of the company.

"Expert."

(6) "Expert" includes any person whose profession gives authority to a statement made by him.

Application.

3. This Act shall apply to all companies where or by what authority soever incorporated; and, in respect of Provincial companies, shall be construed as one with the several Acts of Ontario, incorporating or providing for the incorporation of companies by letters patent or otherwise.



4.—(1) Where, after the passing of this Act, a prospectus or notice invites persons to subscribe or apply for shares, debenture stock, annuities on lives, or other securities of a company, every person who is a director of a company at the time of the issue of the prospectus or notice, and every person who, having authorized such, naming of him, is named in the prospectus or notice as a director of the company or as having agreed to become a director of the company either immediately or after a period of time, and every promoter of the company, and every person who has authorized the issue of the prospectus or notice, shall be liable to pay to all persons so subscribing or applying on the faith of such prospectus or notice, compensation for the loss or damage they may have sustained by reason of any untrue statement in the prospectus or notice, or in any report or memorandum appearing on the face thereof, or by reference incorporated therein or issued therewith, unless it is proved—

Liability for statements in prospectus.

(a) With respect to every such untrue statement not purporting to be made on the authority of an expert or of a public official document or statement, that he had reasonable ground to believe, and up to the time of the allotment or issue of the shares, debenture stock, annuities on lives, or other securities, as the case may be, did believe that the statement was true; and

(b) With respect to every such untrue statement purporting to be a statement by or contained in what purports to be a copy of or extract from a report or valuation of an engineer, valuer, accountant, or other expert, or was a correct and fair copy of or extract from the report or valuation. Provided always that notwithstanding that such untrue statement fairly represented the statement made by such engineer, valuer, accountant, or other expert, or was a correct and fair copy of or extract from the report or valuation, such director, person named, promoter, or other person, who authorized the issue of the prospectus or notice as aforesaid, shall be liable to pay compensation as aforesaid if it be proved that he had no reasonable ground to believe that the person making the statement, report or valuation was competent to make it; and

(c) With respect to every such untrue statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, that it was a correct and fair representation of such statement or copy of or extract from such document,

or unless it is proved that, having consented to become a director of the company, he withdrew his consent before the issue of the prospectus or notice, and that the prospectus or notice was issued without his authority or consent; or that the prospectus or notice was issued without his knowledge or consent, and that on becoming aware of its issue he forthwith gave reasonable public notice that it was so issued without his knowledge or consent; or that after the issue of such prospectus or notice and before allotment or issue of the shares, debenture stock, annuities on lives or other securities thereunder, he, on becoming aware of any untrue statement therein, withdrew his consent thereto, and caused reasonable public notice of such withdrawal, and of the reason therefor, to be given.

(2) Where any company existing at the passing of this Act, shall be desirous of obtaining further capital by subscriptions for shares, bonds, debentures, debenture stock or other securities, and for that purpose shall issue a prospectus or notice, no director of such company shall be liable in respect of any statement therein, unless he shall have authorized the issue of such prospectus or notice, or have adopted or ratified the same.

Statements in prospectus for raising further capital.

Indemnity where name of person has been improperly inserted.

5. Where any such prospectus or notice as aforesaid contains the name of a person as a director of a company, or as having agreed to become a director thereof, and such person has not consented to become a director, or has withdrawn his consent before the issue of such prospectus or notice, and has not authorized or consented to the issue thereof, the directors of the company, except any without whose knowledge or consent the prospectus or notice was issued, and any other person who authorized the issue of such prospectus or notice shall be liable to indemnify the person named as a director of the company, or as having agreed to become a director thereof as aforesaid, against all damages, costs, charges, and expenses to which he may be made liable by reason of his name having been inserted in the prospectus or notice, or in defending himself against any action or legal proceedings brought against him in respect thereof.

Contribution from co-directors, etc.

6. Every person who by reason of his being a director, or named as a director or as having agreed to become a director, or of his having authorized the issue of the prospectus or notice, has become liable to make any payment under the provisions of this Act, shall be entitled to recover contribution, as in cases of contract, from any other person who, if sued separately, would have been liable to make the same payment.

## QUESTIONS ON THE ONTARIO ACT.

(NOTE. Numbers refer to the sections of the Act.)

2 What is the meaning of "The Letters Patent?" What is meant by "Supplementary Letters Patent?" What do you understand by "The Undertaking" of a Company? What is a shareholder?

3 State the conditions to be complied with by a company incorporated in Great Britain to enable them to do business in Ontario.

4 How many persons are required to obtain incorporation in Ontario? In what lines of business can companies not obtain incorporation under this Act?

5 What must form part of the corporate name of any company incorporated under this Act?

6 What is the first step to be taken by persons seeking incorporation? State the six different points of information required to be in the advertisement? How many times must the advertisement be published?

7 How soon after the last publication of the advertisement must application be made for Letters Patent? To whom should the application be sent? What particulars must the petition set forth?

8 & 9 In what cases may the advertisement be dispensed with?

10 & 11 What facts must be established to the satisfaction of the Provincial Secretary? In what way may they be proved?

12 What must the Lieutenant Governor insert in the Letters Patent, and what discretionary powers may he exercise relative to name, notice, objects of incorporation, &c.

13 When Letters Patent are issued, what notice must be given, and where?

14 If Company's name is the same as some other Company, how may it be changed? How may such change of name be compelled?

15 What irregularities will not void the Company's charter after its issue?

16 What powers are granted to bodies corporate?

17 Who may subdivide the shares of a company?

- 18 & 19 How, and under what conditions, may the capital stock be increased?
- 20 Under what conditions may the capital stock of a company be decreased? Is there any change of liability of old shareholders?
- 21 & 22 What conditions are necessary to give to effect a by-law increasing or decreasing capital stock? Within what time must supplementary Letters Patent be petitioned for? What facts must be proved?
- 25 What is Preference Stock? Is a preference stockholder subject to the same conditions as ordinary shareholders? What vote is necessary to sanction the issue of preference stock?
- 26 On what five reasons may the Lieutenant Governor grant supplementary Letters Patent.
- 29 By whom are the affairs of the company managed.
- 30 In what way are the first or Provisional Directors of a company appointed?
- 31 What qualifications must a Director have before and after his election?
- 32 & 33 When and where must first regular Directors be elected? How often afterwards should they be elected? What notice is necessary, and how is it given? What voting powers has a stockholder? How is the vote taken? How are vacancies filled? How are the President, Secretary, &c. elected?
- 34 If Company fails to elect Directors, what is the result?
- 35 May the number of Directors be increased or decreased, and how?
- 36 What business powers have Directors?
- 37 On what points may Directors make by-laws?
- 38 Explain the company's powers relative to borrowing money on bonds, debentures, real estate, &c.
- 39 How may shareholders call a general meeting?
- 40 How would you submit a by-law as evidence in a court?
- 41, 48, 51 & 52 How may the shares of the company be transferred?
- 42 How should stock be allotted?
- 43 On what terms may shares be sold?
- 44, 46 & 47 How may the price of the stock be collected from the shareholders? Can the company sue for it? Can interest be collected on it?
- 45 What amount must be collected on all stock within a year after issue?
- 47 How may shares be forfeited?
- 49 What will prevent a shareholder from voting?
- 50 What special books are necessary in compliance with this Act?
- 53 Who may examine books of the company containing records of stock?
- 56 What penalty may be recovered from the person refusing to show books?
- 55 What is the penalty for making untrue entries, or leaving entries out?
- 57 To whom and when must each company report? What particulars are required about shareholders? What particulars must be summarized in the report? How is such report verified? How many copies should be made, and what is done with them? What is the penalty for neglect?
- 59 Must contracts, negotiable paper, &c., of the company, made in the ordinary course of business, be sealed with the corporate seal to be binding? Is the officer signing such document personally liable? Can they issue bank notes?
- 60 Generally speaking, may one company buy another company's stock?
- 61, 62, 63 & 64 Explain fully the liabilities of shareholders holding various kinds for unpaid stock.

65 How may a trustee or executor vote as a shareholder ?

66 May a dividend be paid out of capital, or in such a way as to impair capital ? Who are liable, and to what extent in such a case ?

67 Except in Loan and Building Companies, how are shareholders and officers restricted from borrowing money from the company.

68 For what debts are directors liable, and under what conditions ? Where and how must claim be made ?

70 How may a charter be forfeited ?

71 When must charter fees be paid, and who fixes the amount of them ?

72 & 73 May a company be re-incorporated ? Will this modify its liabilities ?

74, 75, 76 & 77 May a company act as trustee, executor, administrator or guardian ? Does it require to give bonds as a private person does ? Is its liability the same as a private person ?

78 What privileges have companies incorporated before March 10, 1882 under this Act, in reference to the extension or limitation of their powers ?

79 How may a company be wound up ?

### QUESTIONS ON THE LIMITED LIABILITY ACT OF 1889.

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2 What liability do Directors incur by neglecting to put "limited" in the name of the Company in its contracts, &c.

3 Specify where it is necessary to put the word "limited" painted, written, printed or engraven.

4 What is the penalty for default or neglect ?

5 Are directors or officers liable personally for such penalty if they permit the neglect or default ?

6 What penalty does the director or officer render himself liable to, who uses the name in the seal, notices, &c. of the company, without the word "limited" ?

### QUESTIONS ON THE DIRECTORS' LIABILITY ACT OF 1891.

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4 What liabilities do Directors incur when they make untrue statements in prospectuses ? Are they liable for statements of experts, such as engineers, accountants, valuers, &c. If so, when, and when not liable ? To what kind of investments does this Act apply ?

5 How may a director free himself from such liability ?

6 If such money were all recovered from one director, could he sue others for their proportion ?



## JOINT STOCK COMPANY BOOK-KEEPING.

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It is presumed in this book, at the outset, that the reader is already familiar with the principles of Single and Double-Entry Book-Keeping as they apply to business carried on by individuals and ordinary simple partnerships. It is the purpose in this department of the book to extend this knowledge and make it apply to Joint Stock Companies.

At the present time, and for a few years back, there has been a very marked increase of incorporated companies and a corresponding decrease of partnerships, considering the increase of trade. There are many reasons for this increase of corporate concerns, of which we may give the following :—

(1) Increased trade demands increased capital, and frequently more than one man can furnish. If this one man understands well the business he proposes to start, he can with little trouble induce others to put capital into his venture. And this leads us to the second reason.

(2) An investor who does not take an active part in the management of the business his money is in, desires, naturally enough, to relieve himself of additional liability that is imposed on him in partnership, hence he desires to invest in an incorporated concern in which he may lose the capital he put into it, but no more, should the concern become bankrupt.

(3) An investor naturally desires to make an investment from which he can get his money back should he require it. In the company he can sell his shares without disorganizing the company.

(4) A stock company has usually many more members than a simple partnership. Hence the increase of persons having a proprietary interest increases the influence and business bringing powers of the concern.

(5) It is very common for a business at present running, to be converted into a stock company, the former proprietor taking shares for his business and assets, and much more capital being added by the new share holders, the business may be pushed and extended, where it could not previously on account of the capital being altogether insufficient for the undertaking.

## The Book-Keeping.

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To plan books properly for any concern, whether small or large, individual or partnership or corporate, the first thought, the last thought, and the thought all the time when the books are being planned, so far as the accountant is concerned, is to *adapt the books to the particular needs of the business*. When books are opened and put into a convenient and proper routine, there is very little difference between Joint Stock book-keeping and that with which you are supposed to be already familiar. For example : You pay Charles Lindsay cash on account \$15. The entry must debit Charles Lindsay, and credit cash, and so on in all the different transactions that you are already accustomed to. You will find special forms and papers, and a very few special journal entries in regard to the following in company work, viz. :—

- (1) Its organization.
- (2) Its management by officers—usually called a Board of Directors.
- (3) The arrangement of the capital into *equal* portions, called shares, and books to suit this condition of capital.
- (4) The transfer of capital from one shareholder to another.
- (5) The disposition of its profits as dividends paid out direct to shareholders.
- (6) The placing of surplus profits in reserve fund.

It will be noticed from the foregoing that the study of Joint Stock book-keeping, strictly speaking, is chiefly a study of *Capital Account* in its various conditions, such as its ownership, its profits, &c.

It might be well to note right here that forms of books may be introduced here, such as time books, registers, &c., that the reader is not already familiar with. These do not belong any more to Joint Stock work than they do to a single proprietor's work. For example the Cream Register in the first set is only such as would be used by any intelligent individual carrying on the same business on his own account.

## Partnerships versus Stock Companies.

Proceeding on the assumption that the reader has read over the Joint Stock Company Acts in the former part of this book, and is familiar with at least the principal sections of both Acts, (for there is very little difference,) it is perhaps well to notice some of the differences between Partnerships and Companies.

### (1) As to the number of members.

A Partnership consists of *two* or more persons associated in trade. A Stock Company requires *five* or more.

### (2) As to formation.

A Partnership may be formed simply by verbal or written agreement. A Stock Company is an association of individuals by a Charter from Government.

### (3) As to existence.

A Partnership has no separate legal existence apart from its members, hence each member of an ordinary partnership must be mentioned by name in suits at law. A Stock Company has a separate legal existence as a body corporate apart from its individual members, and may sue and be sued without reference to its shareholders by name.

### (4) As to investment of capital.

In a Partnership any of the partners may invest any sum agreed upon. In a Stock Company each shareholder (or partner) must hold one or more shares, or equal portions of capital, and the total holding of shares by all the stockholders together, must not exceed the amount authorized by the Charter.

### (5) As to withdrawal of capital.

In a Partnership the partners may withdraw capital any time by agreement. In a Joint Stock Company the capital once invested is never supposed to be withdrawn, except the company goes into liquidation, either voluntarily for dissolution or on account of bankruptcy.

**(6) As to the conduct of the business.**

In a Partnership, generally speaking, each partner is the agent of all the others. Every one of them can sign the notes, cheques, contracts, &c., of the firm. In the Stock Company, *one* person, (the Manager, or some other such officer,) only does the business ; he is *general* agent for the company, and signs its contracts, bills of exchange, &c.

**(7) As to liability.**

In a Partnership the partner's private property is liable for firm debts in case the partnership property is insufficient to pay them. In a Stock Company the shareholder's private property, speaking generally, is not liable for company debts. One principal exception to this is the case of the double liability in bank stocks.

**(8) As to change of partners.**

In an ordinary Partnership, when one partner leaves the firm, the concern is dissolved, and a new contract must be entered into with any new partner that is to take his place. In the Stock Company there is the element of "perpetual succession" in its composition. Shareholders may go out and new ones come in every day without affecting the corporate existence of the concern.

**(9) As to distribution of profits.**

In the Partnership, profits may be withdrawn, or partly withdrawn, or added to capital, as agreed upon. In the Stock Company, profits are paid out as a dividend to each shareholder, according to his paid-up capital. If he wishes his paid up capital to be increased, he may pay it in the same as any other money, on either his present holding of stock or new shares

**(10) As to undivided profits.**

In a Partnership, the profits are usually all divided among the partners according to agreement. In a Joint Stock Company what profit remains after a dividend has been paid, is known as unapportioned or undivided profits, and is carried, either as a balance at the credit of loss and gain account, or at the credit of some such account as "Rest Account," "Reserve Fund Account," "Surplus Account," &c., thus keeping the capital in even shares.

## Definition.

A Joint Stock Company is an association of individuals formed and authorized by law to act as a single person in the carrying on of some specified business or trade for the purpose of making profit. It is an artificial person that has all the business qualifications that an ordinary person has, except that it cannot be punished by imprisonment.

In a Joint Stock Company, the law sees only the body corporate, and does not know the individuals composing it, therefore the President could not be imprisoned for the act of the corporation, of which he is a member and officer.

## Application for Charter.

One of the first points to be considered in the formation of a company, is where to get the authority to exist, in other words, where to apply for a Charter. This will be decided principally by the extent of the proposed business. If the undertaking of the company

is of a purely local nature, not extending beyond the limits of a province or state, and the business of such nature that it will not affect the interests of other provinces or states, then the provincial or state legislature is competent to grant a Charter for such a company. The "British North America Act" gives to the provinces power to grant Charters to companies to carry on local works. Sec. 11—The incorporation of companies with provincial objects. Sec. 16—Generally all matters of a merely local or private nature in the province.

This Act gives to the Federal Parliament the sole right under Sec. 10 to incorporate the following companies for the following purposes :—

- (a) . Lines of steam or other ships ; railways, canals, telegraphs, and other works connecting the provinces, or extending beyond the limits of a province.
- (b) Lines of steamships between a province and any British or Foreign country.
- (c) Such works as, although wholly situate within a province, are before or after their execution declared by Parliament of Canada to be for the general advantage of Canada, or for the advantage of two or more provinces.

The foregoing from the Act that is really the constitution of Canada, will decide the matter. If a Charter were to be asked for a Railway Company from Montreal to Toronto, a Dominion Charter would be necessary. If the Polson Iron Works Company were being incorporated to build cars, steamships, &c., Provincial Legislation would be sufficient so long as their branch offices or agencies were not to be established beyond the limits of a province.

The power of the Province or Dominion to grant Letters Patent of Incorporation is entirely *discretionary*. The Act reads, "may," not "shall," grant Letters Patent of Incorporation to five or more persons applying for it. The Charter may be withheld from any company at the will of the Government, even after all the requirements of the law have been fully complied with. It is, however, the practice to grant incorporation to all applying for it, unless it is sought for some improper or fraudulent purpose.

It is proper to notice that the Parliament that grants corporate powers to any concern may withdraw those powers, but such action is only taken as a matter of fact on proof of fraud, mismanagement, or improper use of privileges. The Legislature incorporating a company usually looks after such company, and requires a report of its business every year.

Having decided upon the proper place to apply for incorporation, there is still another consideration. There are two methods of granting Charters in all our Provincial Legislatures and the Federal Government.

(1) *By a special Act of Parliament or Legislature.* In this case it will be noticed that only during two or three months in each year, while parliament is sitting, can this class of incorporation be had, and parliament has only made it necessary for such important concerns as Railroad Companies, Banking Companies, Insurance Companies, &c., to wait for this slow course of procedure.

(2) *By the Governor in Council* under the Joint Stock Companies Letters Patent Act," granting a Charter. The Dominion and Provincial Acts have been given in the beginning of this work. The reader is no doubt familiar with them. These Acts are for the incorporation of manufacturing and mercantile concerns generally.



When a company is incorporated by special Act of Parliament, the laws respecting its management are practically the same as those in the company formed under the provisions of the general Act. These laws and conditions are found in the Joint Stock Companies' Clauses Act. Revised Statutes of Canada, Chap. 118. Revised Statutes of Ontario, 156, &c.

It is proposed to take as a first example a small company to run a creamery and dairy business incorporated in Ontario under the general Act. The forms being practically the same for all companies. A simple example, so far as the forms are concerned, will suit our purpose as well as a more elaborate one.

## Suggestions

FOR INFORMATION OF THOSE INTERESTED IN THE FORMATION OF JOINT STOCK COMPANIES.

We subjoin short statements of suggestive points by both the Dominion and Provincial Governments. They are clear-cut, and need no comment.

### JOINT STOCK COMPANIES, DOMINION OF CANADA.

Extracts from Chap. 119th, R. S. C. 1886, containing the forms of proceeding and record prescribed by the said Act in reference to the issuing of Letters Patent.

*Notice to be given in the "Canada Gazette," and what it shall contain.*

"4. The applicants for such letters patent must give at least one month's previous notice in the *Canada Gazette*, of their intention to apply for the same, stating therein :

(a) NAME. The proposed corporate name of the Company, which shall not be that of any other known company, incorporated or unincorporated, or any name liable to be confounded therewith, or otherwise on public grounds objectionable :

(b) PURPOSES. The purposes within the purview of this Act, for which its incorporation is sought :

(c) CHIEF PLACE OF BUSINESS. The place within the Dominion of Canada, which is to be its chief place of business :

(d) CAPITAL. The intended amount of its capital stock, which, in the case of a Loan Company, shall not be less than one hundred thousand dollars :

(e) SHARES. The number of shares and amount of each share :

(f) NAMES, ETC., OF APPLICANTS. The names in full, and the address and calling of each of the applicants, with special mention of the names of not less than three nor more than fifteen of their number, who are to be the first or Provisional Directors of the Company, and the major part of whom must be resident in Canada.

*Petition for letters patent.*

5. At any time, not more than one month after the last publication of such notice, the applicants may petition the Governor-General, through the Secretary of State of Canada, for the issue of such letters patent.

*What it shall contain.*

(2) Such petition must recite the facts set forth in the notice, and must further state the amount of stock taken by each applicant, and also the amount paid in upon the stock of each applicant, and the manner in which the same has been paid in, and is held for the Company.

*A certain amount of stock must be taken.*

(3) The aggregate of the stock so taken must be at least the one-half of the total amount of the stock of the Company.

*And a certain amount paid up thereon.*

(4) The aggregate so paid in thereon must, if the Company be not a Loan Company, be at least 10 per cent. thereof; if the Company be a Loan Company, the aggregate so paid in thereon, must be at least 10 per cent. thereof, and must not be less than one hundred thousand dollars.

*Disposal of amount paid up.*

(5) Such aggregate must have been paid in to the credit of the Company, or of trustees therefor, and must be standing at such credit in some chartered bank or banks in Canada, unless the object of the Company is one requiring that it should own real estate,—in which case any part not more than one-half of such aggregate may be taken as being paid in, if *bona fide* invested in real estate suitable to such object, duly held by trustees for the Company, and being of the required value over and above all incumbrances thereon.

*Certain provisions may be inserted in patent.*

(6) The petition may ask for the embodying in the letters patent of any provision which under this Act, might be made by by-law of the Company incorporated; and such provision so embodied shall not, unless provision to the contrary be made in the letters patent, be subject to repeal or alteration by by-law.

*Preliminary conditions to be established—Proof of facts asserted.*

6. Before the letters patent are issued, the applicants must establish to the satisfaction of the Secretary of State, or of such other officer as may be charged by the Governor in Council to report thereon, the sufficiency of their notice and petition, and the truth and sufficiency of the facts therein set forth, and that the proposed name is not the name of any other known incorporated or unincorporated Company; and to that end, the Secretary of State, or such other officer, shall take and keep of record any requisite evidence in writing, by solemn declaration, under the Act 37th Victoria, (1874), chapter 37th, intitled: "*An Act for the Suppression of voluntary and Extra-Judicial Oaths*," or by oath or affirmation.

*Fees must be paid before action taken.*

3. No step shall be taken in any department towards the issue of any letters patent or supplementary letters patent under this Act, until after the amount of all fees therefor shall have been duly paid.

*Copies of certain notices to be published by the Company in a local paper.*

9 & 16. A copy of every notice of issue of letters patent or supplementary letters patent which, under the provisions of this Act, the Secretary of State is required to insert in the *Canada Gazette*, shall forthwith, after such insertion, be, by the Company to which such notice relates, inserted on four several occasions in at least one newspaper in the county, city or place where the head offices or chief agency is established."

The following is the schedule of Fees payable under the 84th section of the said Act:

- "1. When the proposed Capital Stock of the company is \$500,000 or upwards, the fee to be \$200.
2. When the proposed Capital Stock is \$200,000 or upwards and less than \$500,000, \$150.
3. When the proposed Capital Stock is \$100,000 or upwards and less than \$200,000, \$100.
4. When the proposed Capital Stock is less than \$100,000, \$50.
5. When the proposed Capital Stock is \$40,000 or less than \$40,000, \$30.

On application for Supplementary Letters Patent, the fee to be one half of that charged on the Original Letters Patent, except "When an increase of capital stock is applied for, in which case the fee thereon shall be based upon the actual increase of the capital stock, and the fee payable shall be the same as is payable upon Letters Patent for the incorporation of a company whose capital stock is of the same amount as such increase."

All fees must be paid in cash or by an accepted cheque made payable to the order of the Honorable the Secretary of State, and must be transmitted to him by Registered Letter.

G. POWELL,  
Under Secretary of State,

Department of the Secretary of State.  
Ottawa, 25th February, 1889,

## JOINT STOCK COMPANIES, ONTARIO.

### LETTERS PATENT.

I. The Lieutenant-Governor-in-Council may, by Letters Patent under the Great Seal, grant a Charter to any number of persons, not less than five, who shall petition therefor, constituting such persons and others who may become shareholders in the Company thereby created, a body corporate and politic, for any purposes or objects to which the legislative authority of the Legislature of Ontario extends, except the construction and working of Railways and the business of Insurance other than as provided by section 4 of the Ontario Insurance Act.

### PUBLIC NOTICE.

II. Applicants for Letters Patent must give at least four consecutive weeks' notice in the "Ontario Gazette" of their intention to apply for the same.

(a) If, however, the capital of the proposed Company is to be \$3,000 or less, the Lieutenant-Governor may dispense with notice.

If given, the notice must state :—

2. The Christian names in full of the applicants, their residences, legal additions or occupations, special mention being made of not less than three of them who are to be the first Directors of the Company.

(a) Each Director must be a shareholder and own stock absolutely in his own right.

3. The proposed corporate name of the Company, which must not be the name of any known Company, incorporated or unincorporated, or liable to be unfairly confounded therewith, or otherwise on public grounds objectionable.

(a) Except in cases where the Lieutenant-Governor-in-Council otherwise directs, (when it must be shown that it is not essential in the public interest,) the name of the Province of Ontario, or of some locality therein, must constitute part of the name of every Company.

(b) The word "Limited" must be added to every corporate name.

(c) The name of a Company should indicate its object.

(d) The name of a Company must not include any word indicative of more than provincial objects. For this reason, such words as "Canada," "Canadian," "Dominion," "Nation," "National," "International," "Empire," "Imperial," and the like are objectionable. For the use of the words "Royal," or "The Queen's," the express consent of Her Majesty is requisite.

(e) The proof as to the proposed corporate name not being that of any other Company, ought to be stated on the knowledge and belief of one of the applicants, a resident of this Province, or by a resident attorney or agent. The statement should be verified.

(f) If incorporation is sought under any other Act as well, its title should be set forth, as, for instance, "The Timber Slide Companies' Act, R. S. O., Cap. 160;" or "The Street Railway Act, R. S. O., Cap. 171;" or "The Act respecting Companies for Steam and Heating, or for supplying Electricity for Light, Heat or Power, R. S. O., Cap. 165," etc.

4. The object for which Incorporation is sought.

(a) The above, which is the language of the Statute, implies that the powers of a Company should be limited to the due carrying out of but one object; it is therefore the practice of the Department so to limit them, unless a special case is shown for allowing a plurality of objects connected with one another.

(b) Power to deal in real estate, as a land Company, is not given to a loan Company, nor are general loaning powers given to a land Company. Loan Companies are limited to the powers in that behalf expressed in the Revised Statutes of Canada, chapter 119, entitled "The Companies' Act."

5. The place, or places (which must be in Ontario) where the operations of the Company are to be carried on, with special mention, if there be two or more such places, of some one of them, as the chief place of business of the Company.

(a) The operations of a Company are usually limited to the municipality in which the chief place of business is to be situated; in cases where exceptions are desired, it must be shown that the extension asked for is necessary to the due carrying out of the Company's object, and is otherwise proper.



6. The amount of capital stock and the number of shares into which the capital is to be divided, and the amount of each share.

7. Proof that notice has been duly given must be furnished by means of affidavit, setting forth the dates of insertion of such notice, with copy thereof, cut from the "Gazette," attached thereto.

### *The Petition.*

III. At any time, not being more than one calendar month after the last publication of the notice in the "Gazette," the applicants may petition the Lieutenant-Governor-in-Council, through the Provincial Secretary, for the issue of Letters Patent.

(a) The persons who petition must be the same persons who gave the notice, and must be shareholders in the proposed Company.

(b) If incorporation is sought under any other Act as well, its title should be set forth, as for instance, "The Timber Slide Companies' Act, R. S. O. Cap. 160;" or "The Street Railway Act, R. S. O. Cap. 171;" or "The Act respecting Companies for Steam and Heating, or for supplying Electricity for Light, Heat or Power, R. S. O. Cap. 165," etc.

2. The petition must state the facts required to be set forth in the notice, and must further state the amount of stock taken by each applicant, and also the amount, if any, paid in upon the stock of each applicant.

3. The petition must also state whether the amount is paid in cash or by transfer of property, or how otherwise.

(a) If nothing has been paid, state the fact. Payments not actually made in cash, or secured by Trust Deed, or otherwise, cannot be recognized by the Department.

(b) The petition should be signed by each of the applicants personally, but if, in any case, it is signed by attorney, it should be accompanied by a duly authenticated copy of the Power of Attorney, which must be of a specific, and not of a general character. Each signature must be witnessed and verified by an affidavit made by the witness thereto.

(c) Printed forms of petition may be obtained at this Department.

(d) ~~and~~ Petitions and documents prepared upon paper of a size larger than foolscap will be returned, as they cannot be conveniently filed away in the Departmental letter-cases.

### *Stock-Book.*

IV. The subscriptions for Stock must be proved by producing the Company's Stock-book, with the signature of each subscriber duly witnessed and verified.

(a) A verified copy thereof, and of the affidavits therein, to remain in the Department, must accompany the Stock-book, which is not retained after examination.

(b) See note (b) above respecting signatures to petition by Attorney.

(c) The copy should be made upon foolscap paper; otherwise it may be returned.

### *Fees.*

V. The fee must be remitted with the application.

(a)—"Sec. 71.—(3) No step shall be taken in any Department towards the issue of Letters Patent or Supplementary Letters Patent under this Act until all fees therefor have been duly paid."—Extract from the Ontario Joint Stock Companies' Letter Patent Act.

(b) The following schedule of fees has been fixed by Order-in-Council:—

For a charter when the proposed capital of the Company is \$200,000 or upwards	\$60
When it is \$100,000, but is less than \$200,000	50
When it is \$50,000, but is less than \$100,000	40
When it is less than \$50,000, but more than \$3,000	30
When it is \$3,000 or less	10
When the Charter is for an Educational Institution	10

(c) Remittances in cash must be made by Registered Letter; otherwise, they will be at the risk of the sender. Post Office orders, or "marked" bank cheques, or drafts, should be made payable to the order of the Provincial Secretary. Cheques not "marked," are liable to be returned.

All communications should be addressed to

Provincial Secretary's Department,  
Toronto, November 10, 1890,

The Honorable The Provincial Secretary,  
Toronto, Ont,



## Memoranda of Transactions.

The following transactions form the basis of the work in the books, &c., that follow. The student will do well to read over carefully, several times, the business done until he has a good general idea of it. He will be able to follow it out readily in the various books into which it is divided.

Feb. 15. Notice was given this day in the Ontario Gazette of the intention of J. S. Howes, L. P. Voison, W. A. McKay, C. A. Madden, H. White, and Edwin Reid, to apply to the Lieutenant Governor of Ontario, in Council, for Letters Patent, incorporating them as a Joint Stock Company, with powers to manufacture and deal in Creamery Butter, also Dairy Produce, &c., under the corporate name of The Springvale Creamery Company, Limited.

March 24. The Letters Patent having been formally applied for, the Stock Book of the Company was opened, and the following subscriptions to the Capital Stock received, and the stock duly allotted by the Directors. The prospectus provides that the first call of 10 % be payable at time of allotment ; a second call of 40 % on May 1st ; a third call of 25 % on May 26th ; and the remaining 25 % at the call of the Directors. The calls of 10 per cent. paid by all in cash.

J. S. Howes	Five shares, \$500	Cash \$50
John McMillan	" " 500	" 50
W. A. McKay	" " 500	" 50
C. A. Madden	Three " 300	" 30
H. White	" " 300	" 30
E. Reid	" " 300	" 30
L. P. Voison	" " 300	" 30
F. C. McDowall	" " 300	" 30
Total \$3000		Total \$300

- " " The following persons were elected officers : H. White, *President* ; E. Reid, *Vice President* ; C. A. Madden, *Secy.-Treasurer*. *Directors*—J. S. Howes, L. P. Voison, and W. A. McKay.
- " " Opened an account at the Merchants' Bank, and deposited cash \$300.
- " " The offer of S. J. Somerville of one acre of land for Factory site, was accepted. The deed was duly executed, and the price, \$200, was paid by cheque on the Merchants' Bank.
- " " Paid account of W. J. Gray, solicitor, Charter fees, \$30. Services, \$10, by cheque.
- " " Wm. McKenzie's offer to build a factory 36x60, two storys high with stone basement, as per specifications and plans prepared by him, was accepted payable \$500 when work is completed, and \$400 in three months.
- " " The offer of Jno. J. Gibson of Wroxeter, to furnish and fit up the factory with engine, boiler, shafting and machinery, water pipes, apparatus and appliances—a complete outfit for the manufacture of butter, was accepted, payable \$600 on the completion of the work, and \$1000 in six months.

- May 1. Received the following sums from shareholders, being second call on stock :  
J. S. Howes, \$200 ; J. McMillan, \$200 ; W. A. McKay, \$200 ; C. A. Madden, \$120 ; H. White, \$120 ; E. Reid, \$120 ; L. P. Voison, \$120 ; F. McDowall, \$120. Deposited in Bank \$1200.
- " 10. The following bills were passed by the Directors, initialed, and ordered to be paid by cheques on Merchants' Bank :—  
Books and stationery, J. Laugheed, \$37.50  
Printing, J. E. Hammond, 41.40  
Salary of Secretary, C. A. Madden, 22.20
- " " Wm. McKenzie having completed his contract of building satisfactorily, was paid \$500 by cheque, and a note at three months for balance, \$400.
- " 20. Engaged H. Agnew as butter maker for the season, at \$40 per month, payable monthly, to begin June 1.
- " " Agreed with W. J. Patterson to gather the cream from the patrons at the rate of  $\frac{1}{2}$ c. per inch, payable monthly.
- " " Entered into a contract with Fred Barber for the sale to him of all our buttermilk, at  $1\frac{3}{4}$  cents per gallon, to be paid monthly.
- " " John J. Gibson having completed his contract of machinery and appliances satisfactorily, was paid by cheque \$600, and note at six months for balance.
- " " It was agreed to pay the Secretary, C. A. Madden, \$50 per month salary while the factory was in operation. He to keep the books and attend to all business of the Company.
- " " Bought of M. & J. Wallace, Toronto, as per invoice, supplies of dairy salt, tubs, &c., on account, \$130.
- " " Bought of James Park & Sons, St. Lawrence Market, Toronto, 60000 parchment wrappers, per invoice, \$113.
- " 26. Received in cash the following sums, being third call on subscribed stock :—  
J. S. Howes, \$125 ; J. McMillan, \$125 ; W. A. McKay, \$125 ; C. A. Madden, \$75 ; H. White, \$75 ; E. Reid, \$75 ; L. P. Voison, \$75 ; F. C. McDowall, \$75.
- " " Deposited in Bank \$700.
- " 30. Paid freight and cartage on invoices of M. & J. Wallace and James Park & Son in cash \$3.50.
- June 30. Withdrew from Bank \$608.75.
- " " Paid to patrons, as per Cream Register, for month of June, \$549.41. Also paid H. Agnew's wages, \$40. W. J. Patterson, for drawing cream, \$19.34.
- July 1. Received from F. Barber, his cheque for buttermilk for the month of June, 2900 gals. at  $1\frac{3}{4}$  cents per gallon, \$50.75.
- " 20. Sold James Park & Son, St. Lawrence Market, Toronto, 2000 lbs. tub butter, at 20 cents, \$400. 1868 lbs. butter, in pound prints, at 25 cents, \$467.
- " 25. Drew on Park & Son at sight for balance of account, and had same discounted at Bank. Face of draft \$754. Discount \$1. Proceeds credited to Company's account.
- " 28. Paid James Morton for 20 cords of wood, at \$2.50 per cord, by order of the Directors.

- July 30. Withdrew from Bank \$765.
- " 31. Received from F. Barber cash for buttermilk for July, \$65.63.
- " " Paid to patrons, as per register for July, \$700. H. Agnew as wages, \$40. W. J. Patterson for drawing cream, \$25.
- Aug. 2. Sold James Park & Son 3000 lbs. butter in tubs, at 20 cents. 2000 lbs. in pound prints, at 24 cents.
- " 12. Received cheque from Park & Son, \$1080, for invoice of butter shipped them Aug. 2.
- " " Deposited in Bank \$1145.63.
- " 13. Paid our note in favor of W. McKenzie, due to-day, by cheque on Bank, \$400.
- " 31. Withdrew from Bank \$692.
- " " Sold Park & Son, Toronto, 2700 lbs. butter in tubs, at 21 cents. 1800 lbs. butter, in pound prints, at 25 cents.
- " " Paid patrons, as per register for August, \$630. H. Agnew's wages, \$40. W. J. Patterson for drawing cream, \$25.
- Sept. 1. Received from F. Barber his cheque for buttermilk for August, \$59.07.
- " 10. Drew on Park & Son, at sight, draft for balance, and had same discounted at Bank. Face of draft \$1017. Discount \$1.25. Proceeds placed to the Company's credit.
- " 30. E. Reid has transferred his stock to Wm. Messenger. Three shares, Nos. 22, 23, 24, as per transfer No. 1, sanctioned by the Directors. See minute book, folio——
- " " Withdrew from Bank \$656.25.
- " " Paid patrons, \$595, as per register, for Sept. Paid H. Agnew's wages, \$40. W. J. Patterson for drawing cream, \$21.25.
- " " W. A. McKay was elected Vice President in place of H. Reid, resigned.
- Oct. 1. Received from F. Barber his cheque for buttermilk for September, \$51.88.
- " 5. Sold to Jas. Park & Son, Toronto, 4200 lbs. of butter, in pound prints, at 26 cents, \$1092.
- " 20. Drew on Jas. Park & Son, at sight, for amount of invoice of 5th inst., and had draft discounted at bank. Face of draft \$1092. Discount \$1.25. Proceeds placed to Company's credit.
- " 31. Bought salt, tubs, and other supplies, from M. & J. Wallace, \$50, as per invoice.
- " " Withdrew from Bank \$620.
- " " Remitted to M. & J. Wallace cheque on Bank, \$130, for invoice of May 20.
- " " Paid patrons, as per register for October, \$560. Also paid H. Agnew wages, \$40. W. J. Patterson for drawing cream, \$20.
- " " Paid C. A. Madden by cheque on Bank, four months salary, at \$50 per month, \$200.
- " " Paid freight and cartage on invoice of supplies from M. & J. Wallace, \$1.90.
- " " The fourth call on subscribed capital of 25 % was made, payable on December 1, 1891.
- Nov. 2. Received Barber's cheque for buttermilk, 3150 gals., at  $1\frac{3}{4}$  cents per gal., for the month of October.

- Nov. 2. Deposited F. Barber's cheques for \$51.88, and in Bank \$55.13.  
" 5. Sold Park & Son, Toronto, 3000 lbs. of butter, in pound prints, at 24 cents per pound, \$720.  
" " Sold Jas. McLauchlan & Sons, Owen Sound, for cash, 1000 lbs. butter, for cooking, at 8 cents, \$80.  
" 8. Deposited in Bank, cash \$80.  
" " Drew on Park & Son, at sight, the amount of shipment of the 5th inst., and received credit at Bank for same, less discount. Face of draft \$720. Discount \$1.  
" 23. Paid our note in favor of J. Gibson, dated May 20, due to-day, \$1000, by cheque.  
" 25. Shipped to Park & Son, 2500 lbs. of butter, in pound prints, at 30 cts., \$750.  
" 26. Received Barber's cheque for buttermilk for November, \$38.22.  
" " Remitted to M. & J. Wallace, Toronto, cheque to balance, \$50.  
" " Withdrew from Bank \$475.  
" " Paid patrons, as per register, for November, \$400. H. Agnew, wages, \$40. W. J. Patterson for drawing cream, \$20.  
" " Drew on J. Park & Son for shipment of 25th inst. Credited to Company in Bank less discount \$1.  
" " Paid C. A. Madden two month's salary, at \$50, \$100. Paid Directors' fees : H. White, \$30 ; E. Reid, \$10 ; W. A. McKay, \$20 ; J. S. Howes, \$20 ; L. P. Voison, \$20.
- Dec. 1. At a meeting of Directors a balance sheet, was presented by the Secretary showing a net profit of \$1126.68, a bonus of 25 % was declared on subscribed stock, as per resolution, minute book folio—  
" " Gave stockholders cheques on Bank for 25 % of stock subscribed, as follows : J. S. Howes, \$125 ; J. McMillan, \$125 ; W. A. McKay, \$125 ; C. A. Madden, \$75 ; H. White, \$75 ; W. Messenger, \$75 ; L. P. Voison, \$75 ; F. McDowall, \$75, as per resolution.  
" " Received from the following shareholders the fourth call on their stock, as follows : J. S. Howes, \$125 ; J. McMillan, \$125 ; W. A. McKay, \$125 ; C. A. Madden, 75 ; H. White, \$75 ; W. Messenger, \$75 ; L. P. Voison, \$75 ; F. C. McDowall, \$75.  
" " Paid dividend to shareholders, per dividend book, folio—in cash, as per resolution minute book, folio—\$300.  
" " Deposited in Bank all the cash on hand, \$456.52.

## Inventories.

Real Estate, estimated at cost, \$1100. Plant \$1600, less \$100 for depreciation, \$1500.

## Closing Transactions.

By reference to the shareholders accounts in the General Ledger, it will be noticed that they are all in balance. They are charged with Capital Stock and credited with Cash paid in. It is now proper to issue Stock Certificates fully paid up, and open up a "Stock Ledger" by placing in it the following entry, or its equivalent :—



Paid up Capital Account Dr. \$3000 : To J. S. Howes, \$500 ; W. A. McKay, \$500 ; Jno. McMillan, \$500 ; C. A. Madden, \$300 ; H. White, \$300 ; L. P. Voison, \$300 ; F. McDowall, \$300 ; W. Messenger, \$300.

This kind of an entry might have been made for the several amounts, as it was paid in in regular instalments. It will be noticed that the above system of entry will enable the book-keeper to have both ledgers by double entry, and take a separate trial balance for each.

We have already recognized the principle that all entries in the ledger should represent entries in Journal, Cash Book, Sales Book, or some other principal book. In compliance with this, the closing entries of the ledger should be in the journal. The following entry will close the accounts, showing loss in the ledger.

Loss and Gain Dr. \$646.60.

To expense account \$124.40 ; salary and directors fees, \$422.20 ; Plant account \$100.

The expense account includes in this case the expenses of incorporation, printing, advertising, books and stationery, as well as the commission for the collection of drafts on James Park & Son, or in other words, the cost of remitting the money from Toronto. The Secretary's salary and allowances to directors, make up the second item, and the sum of \$100 is written off the cost of the plant and tools for the ordinary wear and tear of the season. At this rate the plant would be supposed to last, with ordinary repairs, which would be charged to expense or some such account, for sixteen years. In other words, the "life" of the plant represented in this account would be sixteen years.

The following entry will close the profit from the manufacture of butter into Loss and Gain.

Butter account Dr., \$1773.28.

To Loss and Gain, \$1773.28.

It will be noticed that this account includes on the Dr. side the entire cost of the butter.

(1) The milk from which it was manufactured.

(2) The cost of drawing it.

(3) The cost of all other materials used in its manufacture, such as wood for heat, tubs, wrappers, salt.

(4) The wages of the butter maker.

This is the entire cost of manufacture. The Secretary's salary, Directors' fees, &c., do not belong to the cost of production. The depreciation of the plant might be very properly included here by an entry of plant.

Butter account Dr., \$100.

To plant account, \$100.

Some companies would wish to have everything belonging to the cost of manufacture kept in one account as it is done in this example, while others would wish a separate account kept with every one of the four items of cost enumerated above. The accountant can readily meet the views of his Board of Directors. In case of keeping the different classes of "cost" in separate accounts they could very properly be closed into butter account, and butter account afterwards closed into loss and gain, showing the same result in either case.

On the Cr. side of butter account are found—

(1) All sales of butter of all kinds and qualities,

(2) Sales of buttermilk.

These might have been kept in two separate accounts and closed together afterwards.

The following entry is intended to close up the accounts into which were placed the various sums paid to the shareholders from the profits of the concern for the year.

Loss and Gain, \$1050: To Bonus account, \$750; Dividend No. 1 account, \$300.

The sum of \$76.68 of profits still remains to be disposed of. This may be treated in two ways.

(1) By simply closing Loss and Gain account and bringing down the balance, and carrying this balance forward to form part of the profit fund of next season, or

(2) By closing the account into some such account as "Reserve Account," "Reserve Fund Account," "Rest Account," "Surplus Account." As this is the plan proposed by the Directors, we make the following entry to close Loss and Gain.

Loss and Gain Dr. \$76.68. To Reserve Fund Account, \$76.68.

There are several accounts yet unclosed, viz., Capital Stock Cr. \$3000; Reserve Fund Cr., \$76.68 and Real Estate, \$1100; Plant Account, \$1500; Merchants Bank, \$476.68.

These may be closed as follows: The liabilities to shareholders. Capital Stock Dr., \$3000; Reserve Fund Dr., \$76.68. To balance \$3076.68, and the assets or resources where the accounts are greater than the Dr. side, as follows:—

Balance Dr., \$3076.68: To Real Estate, \$1100; Plant, \$1500; Merchants Bank, \$476.68.

The accounts will all close themselves, and may be ruled up, "Balance Account" included. The various Assets and Liabilities will now be carried down for the next season's business. The Assets on the Dr. side of the respective accounts, and the Liabilities to the Cr. side.

Some accountants do not think the last two entries necessary, who would not think of leaving out the entries in reference to the closing of the various Loss and Gain accounts. We have very frequently found considerable advantage from such closing entries when making audits.

## Organization.

The first step towards the organization of a Joint Stock Company is to get a number of persons interested in the undertaking of the proposed company. This is usually accomplished by the promoters issuing a written or printed statement called a *prospectus*, which usually contains the following particulars.

(1) The name of the proposed company, which should be as short as possible consistent with the nature of the undertaking, and should contain the word "limited."

(2) The amount of the Capital Stock, the number of shares into which it is divided, and the value of the shares.

(3) The Provisional Directors, Solicitor, Banker, &c.

(4) The nature of the undertaking of the company, that is, a clear explanation of the business the company proposes to carry on.

(5) The advantages, profits, emoluments, and dividends, to be gained by shareholders.

(6) The conditions on which the stock is sold, including terms of payment of same.

(7) The names of persons to whom application can be made for shares.

It is of special importance that the statements in such prospectus be true, and not in any way misleading, and recent legislation in Ontario makes Directors and officers personally liable for any loss occasioned to investors by such misleading statements issued in any prospectus, unless these statements are those of report, or valuation by some engineer, valuer, accountant or other expert, that is believed to be competent and honest by such Directors or officers. See Directors Liability Act, 54 Victoria, Chap. 34 for Ontario.

## PROSPECTUS

### *Of the Springvale Creamery Company, Limited, of Owen Sound, Ont.*

To be Incorporated under the provisions of the Ontario Joint Stock Companies Letters Patent Act.

Authorized capital \$5000, divided into 50 shares of \$100 each.

#### PROVISIONAL OFFICERS.

H. White, *President*; E. Reid, *Vice President*; C. A. Madden, *Secy.-Treasurer*.  
*Directors*—J. S. Howes, L. P. Voison, and W. A. McKay. W. J. Gray, *Solicitor*.

It is proposed to incorporate the Springvale Creamery Company, Limited, for the purpose of manufacturing and dealing in creamery butter and other dairy produce. The largely increased demand for a really good article in this line in the cities and towns; the increased facilities for the manufacture and rapid handling and transportation of this article at Owen Sound, and the excellent farming country in this vicinity, afford an opportunity that can be made profitable, not only to the shareholders of this Company, but to its patrons who supply the cream to it.

It is proposed to erect a building and fit it out with the latest and most approved machinery at a cost of about \$2500, with as little delay as possible, so as to be ready for the approaching season.

It is proposed to begin operations as soon as thirty shares have been subscribed for, and a call of 10 per cent. paid thereon—the remaining 90 per cent. to be payable as follows: 40 per cent. on May 1st; 25 per cent. on May 26th, and the balance of 25 per cent. on call of the Directors.

Applications for shares may be addressed to the Secretary of the Company at Owen Sound, Ont.

H. White, *Prov. President*.

C. A. Madden, *Prov. Secretary*.

## Statutory Notice or Advertisement.

When five or more persons have agreed to become shareholders, they give public notice of their intention to apply for Letters Patent or Special Act of Incorporation, by inserting the Statutory Advertisement, (see form on page 23,) in the *Hansard*, if a Dominion Charter is desired, or the advertisement form on page 64 in the *Gazette*, if a Provincial Charter is wanted, for four weeks previous to making application for Charter, so that interested parties may notify the Secretary of State of any objections they may have to the granting of the Charter. This notice may be dispensed with in Ontario by companies whose capital does not exceed \$3000.

## Form of Notice for Publication in "Gazette."

Public notice is hereby given that within one month after the last publication hereof in the *Gazette*, the persons hereinafter named will apply to the Lieutenant Governor in Council for a Charter of Incorporation by Letters Patent under provisions of the "Ontario Joint Stock Companies Letter Patent Act."

- (1) That the name of the Company will be the Springvale Creamery Company.
- (2) That the undertaking will be the manufacture and purchase and sale of butter and dairy produce.
- (3) That the operations of the said Company will be carried on, and its head office will be at Owen Sound.
- (4) That the amount of the Capital Stock of the Company will be Five Thousand Dollars, divided into 50 shares of One Hundred Dollars each.
- (5) That the names in full, and the address and calling of each of the applicants are as follows :—

John Samuel Howes, gentleman ; Lewis Peter Voison, farmer ; William Alexander McKay, merchant ; Charles Augustus Madden, accountant ; Harry White, manufacturer ; and Edwin Reid, farmer, all of the Town of Owen Sound, Ontario.

- (6) That the said Harry White, Edwin Reid, Charles Augustus Madden, John Samuel Howes, Lewis Peter Voison and William Alexander McKay are to be the Provisional Directors of the said Company.

W. J. GRAY, Solicitor.

First insertion in the *Gazette*, February 16, 1891.

After the publication of the above notice for four consecutive weeks, the promoters, numbering not less than five persons, will make application to the Lieutenant Governor in Council for the Charter, giving about the same particulars as were in the notice in the *Gazette*, together with the stock each of the applicants agrees to take, and how much he has paid thereon, and how payments were made. The undertaking should also be explained more fully than in the notice. This application should be signed by at least five promoters, who are called "Corporators." It is not usually desirable for many persons to join in the application. Five charter members is sufficient. Additional names only lengthen out the petition. There must be not less than three and not more than fifteen persons mentioned as Provisional Directors. They must hold stock in their own name and right to be eligible.

The truth of the statements in the application and the publication of the notice in the *Ontario Gazette*, must be verified by an oath of one at least of the persons who has signed the petition. We subjoin a form of application and a form of oath verifying the statements, &c.

## Form of Application for Charter.

TO HIS HONOR, THE HONORABLE SIR ALEXANDER CAMPBELL, K.C.M.G., ETC.

*Lieutenant-Governor of the Province of Ontario-in-Council.*

The petition of John Samuel Howes, gentleman ; Lewis Peter Voison, farmer ; William Alexander McKay, merchant ; Charles Augustus Madden, accountant ; Harry White, manufacturer ; and Edwin Reid, farmer ; all of the Town of Owen Sound, in the County of Grey, and Province of Ontario, humbly sheweth :—



1. That your petitioners are desirous of obtaining by Letters Patent under the Great Seal, a Charter, under the provisions of the Revised Statutes of Ontario, Chapter 157, entitled "The Ontario Joint Stock Companies' Letters Patent Act," constituting your petitioners, and such others as may become shareholders in the Company thereby created, a body corporate and politic under the name of the Springvale Creamery Company, Ltd.

2. That your Petitioners, in accordance with the provisions of Section 6 of the said Revised Statute, have given at least four consecutive weeks' notice in the Ontario Gazette of your Petitioners' intention to apply for Letters Patent as aforesaid.

3. That the object for which incorporation as aforesaid is sought by your Petitioners, is to carry on the business of manufacturing creamery butter, and of dealing in butter and all kinds of dairy supplies and produce.

4. That the operations of the said Company are to be carried on at Owen Sound in the County of Grey, which is within the Province of Ontario.

5. That the chief place of business of the said Company is to be at Owen Sound aforesaid, and that the Post Office address of the Company will be Owen Sound.

6. That the amount of the Capital Stock of the said Company is to be Five Thousand Dollars.

7. That the said stock is to be divided into 50 shares of One Hundred Dollars each.

8. That the said Harry White, Edwin Reid, Charles Augustus Madden, John Samuel Howes, Lewis Peter Voison, and William Alexander McKay are to be the first Directors of the said Company.

9. That by subscribing therefor in the Company's Stock-book, your Petitioners have taken the amounts of stock set opposite to their respective names, as follows :—

Petitioners.	Amount subscribed for.	Amount, if any, paid thereon.	How paid.
John Samuel Howes,	\$500.	\$50.	Cash.
Lewis Peter Voison,	300.	30.	"
William Alexander McKay,	500.	50.	"
Charles Augustus Madden,	300.	30.	"
Harry White,	300.	30.	"
Edwin Reid,	300.	30.	"

Your Petitioners therefore pray that your Honor may be pleased by Letters Patent under the Great Seal, to grant a Charter to your Petitioners, constituting your Petitioners and such others as may become shareholders in the Company thereby created, a body corporate and politic for the purposes and objects aforesaid.

And your Petitioners, as in duty bound, will ever pray.

H. MACKENSEN,  
*Witness*

{ JOHN S. HOWES.  
L. P. VOISON.  
W. A. MCKAY.  
C. A. MADDEN.  
H. WHITE.  
E. REID.

Dated at Owen Sound this 15th day of March, 1891.

## Form of Affidavit as to Business, &c.

Province of Ontario. } In the matter of the herein application of John Samuel  
County of Grey. } Howes and others for Incorporation by the issue of Letters  
TO WIT : } Patent, as the Springvale Creamery Company, limited.

I, Harry White, of the Town of Owen Sound, in the County of Grey, Esquire, make oath and say :—

1. That I am one of the applicants herein.
2. That I have a knowledge of the matter, and that the allegations in the within Petition contained are, to the best of my knowledge and belief, true in substance and in fact.
3. That the proposed corporate name of the said Company is not the name of any other known Company incorporated or unincorporated, or liable to be unfairly confounded therewith, or otherwise on public grounds objectionable.
4. That notice of the intention of the applicants herein to apply for the grant of Letters Patent as aforesaid, was, for four consecutive weeks, duly given in the issues of the *Ontario Gazette*, published on the 16th and 23rd of February, and the 2nd and 9th of March, 1891.
5. That the clipping from the said *Ontario Gazette*, attached to this my affidavit, and now shown to me marked "A," is a true and correct copy of the said notice given as aforesaid.

Sworn before me at the Town of Owen Sound, in the }  
County of Grey, this 24th day of March, A. D. 1891. } HARRY WHITE.  
JAMES COCHRANE, J. P. for the County of Grey.

## Form of Affidavit Proving Signatures to Petition.

Affidavit as to signatures to petition for Charter in reference to the petition of John Samuel Howes and others for incorporation, under the Joint Stock Companies Act, as the Springvale Creamery Company, Limited.

Province of Ontario. } I, Herman Mackensen, of the Town of Owen Sound, in  
County of Grey. } the County of Grey, and Province of Ontario, accountant,  
TO WIT : } make oath and say :—

1. That I was personally present and did see the petition hereto annexed and marked "A," signed by John Samuel Howes, Lewis Peter Voison, William Alexander McKay, Charles Augustus Madden, Harry White, and Edwin Reid.
2. That the signatures of the said parties is in their proper handwriting.
3. That I know the said parties.
4. That the name Herman Mackensen, set and subscribed as witness to the said petition, is in the proper handwriting of me, this deponent.

Sworn before me at Owen Sound, in the County of }  
Grey, this 24th day of March, 1891. } H. MACKENSEN.  
GEORGE PRICE, J. P. for the County of Grey.

The following form of affidavit is a proper one for verifying the signatures to the Stock Book. If there were ten or twenty witnesses, there should be ten or twenty affidavits—one for each witness. These affidavits are required for two purposes.

1. The Provincial Secretary requires that such affidavits be filed with him at the time of making up application for Letters Patent to prove the *bona fides* of the Stock Book that is submitted to him.

2. In the more carefully managed Companies the officers require all signatures to the Stock Book to be verified by oath of witness.

In case of signatures of Corporators it is well to have affidavits made out in duplicate—the one copy for the Provincial Secretary, the other for the Head Office.

## Form of Affidavit Verifying Signatures to Stock Book.

In *re* signatures to the Stock Book of the Springvale Creamery Company, Limited.

Province of Ontario, County of Grey, TO WIT :	} I, Herman Mackensen of the Town of Owen Sound, County of Grey, and Province of Ontario, accountant, make oath and say :—
---	--

1. That I was personally present and saw John Samuel Howes, John McMillan, William Alexander McKay, Charles Augustus Madden, Harry White, Edwin Reid, Lewis Peter Voison, and Frederick Charles McDowall, duly sign and place their respective seals on the Stock Book of the Springvale Creamery Company, Limited.

2. That I know the said parties.

3. That the signatures of the said parties are in their proper handwriting.

4. That the signature, H. Mackensen, set and subscribed as a witness to each of the said signatures is in the proper handwriting of me this deponent.

Sworn before me at Owen Sound, in the County of Grey, this 24th day of March, A. D. 1891.	} H. MACKENSEN.
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D. MORRISON, a Commissioner for taking affidavits in H. C. J.

The Stock Book sent with the application for Letters Patent is not retained by the Provincial Secretary—it is returned to the Company. A certified copy of the Stock Book must be filed with the Provincial Secretary verified by affidavit. The following is a form.

## Affidavit Verifying a Copy of the Stock Book.

In reference to the petition of John Samuel Howes and others for Incorporation under the Joint Stock Companies Letters Patent Act, as the Springvale Creamery Company, Limited.

Province of Ontario, County of Grey, TO WIT :	} I, Josiah Tolton, of the Town of Owen Sound, in the County of Grey, accountant, make oath and say : That the paper writing hereto annexed and marked as exhibit "A" to this affidavit, has been carefully compared by me with the original Stock Book of the Springvale Creamery Company, Limited, and that I find the same to be a true copy of the said Stock Book.
---	--

Sworn before me at Owen Sound, in the County of Grey, this 24th day of March, A. D. 1891.	} J. TOLTON.
--	--------------

W. P. TELFORD, a Commissioner for taking affidavits in H. C. J.

This form of affidavit is used to verify the copy of the Stock Book that is filed in the office of the Provincial Secretary for the Province of Ontario at the time when the Stock Book is sent in, accompanying the application for a charter.

*Form of Stock Book:*

## SPRINGVALE CREAMERY COMPANY (Limited.)

\* Incorporated under the Ontario Joint Stock Company's Letters Patent Act.

*Capital \$5,000 Divided into 50 Shares of \$100 each.*

We, the undersigned, do hereby severally subscribe for and agree to take the number of shares in the capital stock of the Springvale Creamery Company, (Limited,) set opposite our respective names and seals, as hereafter and hereunder written, each share being of the amount of \$100 and we do covenant and agree each with the other, to pay the amount so subscribed as the same may be called in by the Directors of the Company; and we do further covenant and agree to abide by and observe the provisions of the Letters Patent Act of this incorporation, and the by-laws, rules and regulations of the said Company, made in pursuance of its charter and of the said Joint Stock Company Letter Patents Act.

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Signature.	Seal.	Date.	Residence.	No. of shares.	Amount.	Remarks.
Jno. S. Howes.	×	Sept. 30, 1891.	Owen Sound.	Five.	\$500.	Shares transferred to W. Messenger
Jno. McMillan.	×	Sept. 30, 1891.	Owen Sound.	Five.	\$500.	
W. A. McKay.	×	Sept. 30, 1891.	Owen Sound.	Five.	\$500.	
C. A. Madden.	×	Sept. 30, 1891.	Owen Sound.	Three.	\$300.	
H. White.	×	Sept. 30, 1891.	Owen Sound.	Three.	\$300.	
E. Reed.	×	Sept. 30, 1891.	Owen Sound.	Three.	\$300.	
L. P. Voison.	×	Sept. 30, 1891.	Owen Sound.	Three.	\$300.	
F. C. McDowall.	×	Sept. 30, 1891.	Owen Sound.	Three.	\$300.	
W. Messenger.	×	Sept. 30, 1891.	Owen Sound.	Three.	\$300.	

\* Note—In the form of stock book used before incorporation the words “to be” should be inserted before “incorporated” but after incorporation, the words should be removed.



## The Stock Book.

The first book of importance in any Company, is the Stock Book, sometimes called the "Stock Subscription Book." It is the basis of the Company's organization. It binds each individual shareholder—

(1) To pay up his stock as it is called for by the officers.

(2) To obey all rules and by-laws of the Company, either now in existence or to be afterwards made.

The signature to this book creates a liability to pay as much as any contract under seal. It creates a debt on the part of the subscriber that may be sued and collected in any court having jurisdiction at the place of the head office competent to deal with the amount.

The signatures to the Stock Book may be made either by the person desiring to become a shareholder or by his representative duly qualified by Power of Attorney properly authenticated. Each signature on the Stock Book should be under seal and witnessed.

There is a form for Stock Book on page 68. It should be in permanent form in a book, so that additional names may be signed in case of more stock being issued, or some already held being transferred.

Many companies at their inception simply have a Stock Book on a loose sheet of paper that may be very easily lost or mislaid. Such slipshod processes cannot be recommended. They should be discouraged as much as possible.

## Signature by Attorney.

In case the intending shareholder cannot attend where the Stock Book is, he may appoint any other person his attorney to sign for him. It is not necessary that the person so appointed be a lawyer or any other official of that kind. A general Power of Attorney will not do for a case of this kind; it must be a direct, specific power for this purpose only, and should be filed in the head office of the company. As all the signatures are made in the ordinary way in the foregoing form of Stock Book, we simply fill in fictitious names in the subjoined form.

### *Form of Power of Attorney to subscribe for Stock:*

KNOW ALL MEN BY THESE PRESENTS that I, Oliver Twist, of the City of Guelph, County of Wellington, and Province of Ontario, gentleman, do nominate, constitute and appoint David Copperfield, of the City of Ottawa, in the said Province of Ontario, manufacturer, my true and lawful attorney for me, in my name, and on my behalf, to subscribe for five shares of One Hundred Dollars each, in the capital stock of the Springvale Creamery Company, Limited, and to do all other acts necessary for the proper carrying out of the same, and I hereby ratify and confirm all the acts of my attorney hereby appointed in reference to the same.

In witness whereof I have set my hand and seal this 30th day of March, 1891.

OLIVER TWIST. (L. S.)

*Witness,*

NICHOLAS NICKLEBY.

It is not an uncommon thing for the management of a well conducted company to require the signature to the Power of Attorney verified by affidavit of the witness. The following form will be found suitable.

*Form of Affidavit Verifying the Signature of a Power of Attorney :*

In the matter of the within Power of Attorney given by Oliver Twist to David Copperfield for the purpose of signing the Stock Book of the Springvale Creamery Company, Limited.

Province of Ontario, } I, Nicholas Nickleby, of the City of Guelph, in  
County of Wellington. } the County of Wellington, and Province of Ontario,  
TO WIT : } gentleman, make oath and say :—

(1) That I was personally present and did see the said Power of Attorney hereto annexed and marked "A," duly signed, sealed and executed by Oliver Twist. (2) That Power of Attorney was executed at the City of Guelph. (3) That I know the said party. (4) That I am the subscribing witness to the said Power of Attorney, and the signature, Nicholas Nickelby, is in the proper handwriting of me, this deponent.

Sworn before me at the City of Guelph, in the County }  
of Wellington, and Province of Ontario, this 30th } NICHOLAS NICKLEBY.  
day of March, A. D. 1891.

D. R. DOBIE, a Commissioner for taking affidavits in H. C. J.

*The following is the Form for Signature by Power of Attorney :*

OLIVER TWIST, by his attorney David Copperfield.

## Instalment List.

When a call is made it is convenient to have a list of the shareholders of the Company, with the several amounts due from them to the Company, set forth. This saves time of hunting up every account in the ledger. Though not an absolute necessity, it is a convenience.

*Instalment List of call No. 2, Springvale Creamery Company, Limited.  
Made by the Board of Directors and payable on May 1st 1891.*

Ledger folio.	Name.	Post Office.	No. of shares.	Instalment.	Interest	Amount rec'd.	Date when received.
1	John S. Howes.	Owen Sound	5	\$125.00		\$125.00	May 1
1	John McMillan.	"	5	125.00		125.00	"
1	W. A. McKay.	"	5	125.00		125.00	"
2	C. A. Madden.	"	3	75.00		75 00	"
2	H. White.	"	3	75.00		75.00	"
2	E. Reid.	"	3	75.00		75.00	"
3	L. P. Voison.	"	3	75.00		75.00	"
3	F. C. McDowall.	"	3	75.00		75.00	"

In this simple company the value of this list is not so apparent as in a company where there are perhaps hundreds of shareholders, and calls coming due at different times, and payments being made at various times, some at the due date and some in default for long enough after, on which interest is collectible by statute.

# Instalment Receipt.

When a call is paid in on one or more shares a receipt is given to the shareholder. The subjoined form is suitable. When the stock is fully paid up, or when sufficient is paid up so that the company will not collect any more, these receipts are exchanged for a Stock Certificate. These receipts are sometimes called "Scrip."

(STUB.)		FIVE SHARES	
<b>Springvale Creamery Co'y, Ltd.</b>		<b>\$50. Springvale Creamery Company, Limited.</b>	
INSTALMENT RECEIPT.		<b>No. 1.</b>	
No. 1.	First Call of 10% = \$50.		
5 shares	Nos. 1-5 inclusive.		
Jno. S. Howes, Owen Sound.			
Received this Receipt—			
J. S. Howes.			
Dated April 1, 1891.			
		<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Corporate Seal. </div>	
		<b>E. WHITE,</b> PRESIDENT.	
		<b>CHAS. A. MADDEN,</b> SECRETARY.	

**Received** from Samuel Howes the sum of Fifty Dollars, being the first call of Ten per cent. on five shares in the capital stock of the Springvale Creamery Company, Limited, of the value of Five Hundred Dollars, numbered 1 to 5 inclusive, which said shares are reserved and set apart for him, his heirs and assigns, on condition that he or they fulfil the terms of subscription.


IN WITNESS whereof, we, the President and Secretary have signed our names and affixed the corporate seal of the company, this first day of April, 1891.

# Stock Certificate.

When the shares are fully paid up, or when the circumstances are such in the company that it is not intended to collect any more on the shares, then a Stock Certificate is issued to the shareholders.

## STOCK CERTIFICATE WHERE STOCK IS FULLY PAID UP:

<p>(STUB.)</p> <p><b>STOCK CERTIFICATE.</b></p> <p><b>Springvale Creamery Co'y, Ltd.</b></p> <p>No. 1.</p> <p>JOHN S. HOWES, Owen Sound. Five Shares = \$500. Nos. 1 to 5 inclusive.</p> <p>Received this certificate JNO. S. HOWES, Date, December 1, 1891.</p> <p>NOTE. A memo of any transfers made of these shares may be made here.</p>	<p>\$500.</p> <p><b>Springvale Creamery Company, Ltd.</b></p> <p>No. 1.</p> <p>→* STOCK + CERTIFICATE. *←</p> <p>THIS IS TO CERTIFY that John Samuel Howes is the holder of Five Shares in the capital stock of the Springvale Creamery Company, of the value of One Hundred Dollars each, fully paid up in the sum of Five Hundred Dollars. Said shares are numbered 1 to 5 inclusive and are transferable on the books of the company by him or his attorney duly constituted.</p> <p>IN WITNESS whereof, we, the President and Secretary, have set our hands and the corporate seal of the company, at Owen Sound, Ontario, the first day of December, 1891.</p> <div data-bbox="809 596 906 705"> <p>Corporate Seal.</p> </div> <p>H. WHITE, President.</p> <p>C. A. MADDEN, Secretary.</p>
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 If the stock were only partly paid up a few words of change would make the above certificate applicable.



## Share Register.

This book is intended to show the history of every share taken up in the capital stock of the company ; the name of its first owner ; and, by a system of reference to the Transfer Book, the name of each subsequent owner is readily obtainable. In the first column is the share number, the shares being numbered from No. 1 upwards, in this case for the thirty shares issued. When the other shares are allotted they will be entered up. Some company officials number all the shares up in this book at the beginning and simply write the names of the purchasers opposite the share number when they are issued. The numbers on the stock certificate issued to the shareholder should contain the numbers of the shares he holds, and should agree with this book.

The names and Post Office columns need no comment. The column headed "Number of Transfer" refers to the transfer book. After a share has been resold, the transfer of it is entered up in the transfer book, and the transfer number put in this column. By referring to the *last* transfer number, and turning to the entry in the transfer book you can find out the owner of any particular share, no matter how many times it has been sold. This book belongs distinctively to Joint Stock Company work.

### Share Register of Springvale Creamery Company, Limited.

Share No.	NAME.	Post Office.	Transfer No.	REMARKS.
1	J. S. Howes	Owen Sound		
2	"	"		
3	"	"		
4	"	"		
5	"	"		
6	Jno. McMillan	"		
7	"	"		
8	"	"		
9	"	"		
10	"	"		
11	W. A. McKay	"		
12	"	"		
13	"	"		
14	"	"		
15	"	"		
16	C. A. Madden	"		
17	"	"		
18	"	"		
19	H. White	"		
20	"	"		
21	"	"		
22	E. Reid	"	I,	
23	"	"	I,	
24	"	"	I,	
25	L. P. Voison	"		
26	"	"		
27	"	"		
28	F. McDowall	"		
29	"	"		
30	"	"		
31	(NOTE--This and following shares not taken.)			
32				

## The Transfer Book.

This book belongs only to Joint Stock work. It is only where the capital is held in *shares*, and a corporate existence granted by charter, that the transfer of capital from one to another is permissible. In case of a change of partners in an ordinary partnership, the old partner goes out by an agreement for dissolution, and the new partner enters the firm by a new agreement, in which all the members of the firm that is being formed are parties.

Shares in the capital of a company are personal property transferable from one to another at pleasure, subject, however, to the approval of the directors of the company.

1. If the stock is not fully paid up the directors should very carefully enquire into the financial standing of the person who desires to purchase, to see if he will be able to carry out the obligations that the shareholder who desires to withdraw has incurred on the unpaid portion of the shares.

2. In many undertakings in order to protect the business. It is necessary to have persons only in the company who are agreeable, who will not divulge the processes of manufacture, or special methods used by the company. This precaution is necessary to protect the company from persons whose desire in getting such shares might be to obtain a controlling interest and to subvert or ruin the undertaking of the company or play into the hands of rival institutions.

In the majority of cases it is proper for the directors to retain control of their stock. In some institutions such as railways, &c., where the stock is fully paid up, the only restriction placed on the shares is that the transfer book is to be closed for from fifteen to thirty days before a dividend is paid, so that the company may know to whom the dividend is payable.

When stock is transferred the retiring stockholder must surrender his stock certificate and sign a certificate or short form of Power of Attorney, either on the back of a stock certificate, or on an accompanying paper, or in a book kept at the company's office, authorizing the transfer of his shares by some person for him when he cannot attend at the head office himself.

### *Form of Transfer to be endorsed on the old Stock Certificate :*

BE it known that I, Edwin Reid, the holder of three shares in the capital stock of the Springvale Creamery Company, Limited, numbered 22 to 24 inclusive, represented by the within certificate, do hereby irrevocably nominate, constitute and appoint Chas. A. Madden my true and lawful attorney to transfer the said three shares of stock to William Messenger, hereby ratifying that all that my attorney shall do for the proper carrying out of the said transfer.

Signed, sealed and witnessed this 3rd day of October, A.D. 1891.

*Witness*

JOHN W. SMITH

}

EDWIN REID, (L.S.)

The new shareholder, William Messenger, must sign the stock book the same as a shareholder taking stock at first. In this way he signifies his acceptance of the transfer.

In some companies a book of forms of transfer, similar to the following, are kept as a transfer book.

# TRANSFER BOOK.

This Book is kept by having the Forms of Transfer bound together.

## THREE SHARES.

OWEN SOUND, October 3, 1891.

BE IT KNOWN that I, Edwin Reid, the holder of three shares numbered 22, 23 and 24, in the capital stock of the Springvale Creamery Company, Limited, of One Hundred Dollars each, on which Seventy-five Dollars each is paid, for value received, do hereby transfer to William Messenger all my right, title and interest in said shares, now in my name in the books of the said company.

Witness:

CHAS. A. MADDEN. }

E. REID, (L.S.)

# TRANSFER BOOK

Of the Springvale Creamery Company, Limited.

No.	No. of shares.	Share numbers.	Amt. of stock.	Amt. paid up.	Name of Transferrer.	Post Office.	Name of Transferee.	Post Office.	Date of transfer.	Date of sanction by Directors.	Remarks.
1	Three	22 to 24 inclusive.	\$300	\$225	E. Reid.	Owen Sound.	Wm. Messenger.	Hanover.	Oct. 3, 1891.	Oct. 10, 1891.	

## The Minute Book.

There is not, perhaps, any book kept by a Joint Stock Company of greater importance than the Minute Book, and none more easily kept. In every well regulated concern this book will contain—

(1) A record of the names of the persons who attend every meeting, and the part he takes in its deliberations.

(2) All the names of officers elected.

(3) All the directions given at the general meeting of shareholders by the shareholders to their representatives the Directors.

(4) All directions given to officers by Directors relating to the management of the Company.

(5) All offers to be made, contracts entered into, &c., &c., and authority to the Manager to bind the Company by his signature on such offers, contracts, &c.

(6) All statements, reports, &c., submitted by officers, agents, managers, auditors, &c., and any action taken thereon.

(7) Authority to pay or reject each bill of account, &c., presented to the Company.

(8) The approval or disapproval of the Board, of the work or business done by any officer. Any and all business done by a Manager, officer, or agent without direction from the Board of Directors, should afterwards be ratified by them or disaffirmed.

It is the duty of the Secretary or Recording-Secretary of any such institution to keep the Minute Book, and such Secretary should preserve a full record of such business.

## Various Styles of Recording Minutes.

Some Secretaries record their minutes in a simple *narrative* form, mentioning the names of persons speaking, making motions, &c.; making more of the style of an ordinary history. Others give very little except the actual bare resolutions and by-laws passed by the Board in exactly the form of words used by the mover and seconder. In such cases the mover and seconder usually furnish the resolution written out. The chairman reading their manuscript, puts it to a vote of the meeting, and marking on it "carried" or "lost" as the case may be, hands it to the Secretary. A careful Secretary will preserve all such original resolutions, by-laws, &c., in case any dispute arise afterwards. A good plan is to arrange them in order, put in an envelope all belonging to each meeting, and put away. A little explanation is usually necessary besides bare resolutions. They may be begun :—

Moved by W. A. McKay, seconded by L. P. Voison, That the offer of &c.—

Or the shorter form like the following, leaving it to be understood that the first named person was the mover, and the next the seconder :—

W. A. McKay, L. P. Voison, That the offer of &c.

A resolution is a simple statement of the will, wish, desire, acceptance, or ratification of the Board of Directors or general meeting regarding some business.

A by-law is a more particular and carefully considered expression of a deliberation or wish of a company at a general meeting, or a Directors' meeting, regarding some



portant business. It should be read and passed on three times by the body passing it, and the resolution passing it the third time usually reads something like the following :—

Moved by A, seconded by B, “That by-law No. 37 be read the third time, signed, sealed and engrossed in the minutes.” Just as a sealed contract is stronger and takes precedence of an ordinary simple contract, because it is looked upon as much more solemn and binding, in the same way a by-law is under seal carried by three resolutions, and is therefore much more solemn than a simple resolution. A by-law engrossed in the Minute Book and the corporate seal attached and signed by the President and Secretary, has been held legal as a by-law, when the original by-law was lost. Some Companies keep a by-law book in which by-laws are engrossed, and signed and sealed directly in the book. The Minute Book should however contain a copy of the by-law.

**Marginal Notes**—Every Minute Book should have a wide margin blank down the left hand side of each page, in which should be written a short epitome of each resolution.

**Index**—Every Minute Book should be carefully indexed according to the subjects or persons dealt with in the minutes, so that any resolution might be readily referred to at any time.

**Adoption of Minutes**—All minutes after being recorded, should at some time be read over in a meeting, and approved or corrected. The minutes of a general meeting should be approved by a general meeting, and those of a Board of Directors by a Board of Directors. The approval may be given either (1) by the very meeting itself that made the minutes, or (2) by a subsequent meeting. The second method is the more common, the minutes being read at the next meeting of the same kind and thereupon approved or corrected and approved and signed by the President or Chairman. If a meeting desires to pass or approve of its own minutes, it may be done just before adjournment, by having the minutes read there and then approved by the meeting before they leave the room.

The following is a Minute Book of the Company :—

#### MINUTE BOOK OF SPRINGVALE CREAMERY COMPANY, LIMITED.

General meeting of shareholders of the Springvale Creamery Company at the office of H. White, Esq., Owen Sound, March 24, 1891.

Application was made March 1st by J. S. Howes, J. McMillan, W. A. McKay, C. A. Madden, L. P. Voison, E. Reid and H. White to the Lieutenant Governor of Ontario in Council, for Letters Patent incorporating them and their successors in office, a body corporate to trade under the firm name of the Springvale Creamery Company, Limited, and the Letters Patent having been received by the Secretary, the meeting was called by H. White, Provisional President named in the Letters Patent, who called the meeting to order, and asked the Provisional Secretary, C. A. Madden, to take the minutes.

The Secretary presented applications from the following persons for stock and the Stock Book showing the signatures of J. S. Howes, \$500; John McMillan, \$500; W. A. McKay, \$500; C. A. Madden, \$300; H. White, \$300; E. Reid, \$300; L. P. Voison, \$300; F. C. McDowall, \$300; and reported 10 per cent. paid on all the above stock amounting to \$300, and deposited in the Merchants Bank \$260.

Moved by F. C. McDowall, seconded by E. Reid, That thirty shares of the Capital Stock of this Company be allotted as follows :—

Five shares to J. S. Howes, \$500; five shares to John McMillan, \$500; five shares to W. A. McKay, \$500; three shares to C. A. Madden, \$300; three shares to H. White, \$300; three shares to E. Reid, \$300; three shares to L. P. Voison, \$300; and three shares to F. C. McDowall, \$300.

**NOTE.** *It is the custom in many companies to allot shares in the Capital Stock by a by-law, it being considered one of the most solemn transactions of the company.*

There being sufficient stock subscribed and duly allotted to begin business according to the prospectus, the President declared the Company duly organized, and vacated the chair, and asked the meeting to elect their regular Directors. He asked F. C. McDowall to take the chair.

F. C. McDowall, President *pro tem*, took the chair, and called for nominations for Directors.

John McMillan nominated H. White, E. Reid, C. A. Madden, J. S. Howes, L. P. Voison and W. A. McKay as Directors. There being no further nominations, the chairman declared them elected, as six is the number required by the by-laws.

It was moved by John McMillan, seconded by E. Reid, That the general by-laws for the government of the company be read the first time—*Carried*.

The by-laws were read by W. J. Gray, solicitor.

Moved by John McMillan, seconded by E. Reid, That the general by-laws for the government of the company be read a second time—*Carried*.

The by-laws were read a second time by W. J. Gray, solicitor.

Moved by John McMillan, seconded by E. Reid, That the general by-laws for the government of this company be read a third time, signed by the President, sealed with the corporate seal of the Company, and likewise engrossed in the minutes—*Carried*.

The by-laws were read a third time by W. J. Gray, solicitor, signed and sealed as per resolution.

NOTE.—*The by-laws of the corporation as given on another page should be engrossed in these minutes immediately after adopting the by-laws.*

On motion the account of W. J. Gray, solicitor, for charter fees \$30, and services \$10, was ordered to be paid.

On motion duly moved and seconded and adopted, the meeting adjourned.

C. A. MADDEN, Secretary.

NOTE.—*It is proper to leave space here so that the next general meeting of the shareholders may confirm these minutes at their meeting, in some form like this:—*

“Adopted by general meeting of shareholders as read this 20th day of December, 1891.”

H. WHITE, President.

### *Office of H. White.* OWEN SOUND, March 24, 1891.

Meeting of Directors elected at the general meeting of the shareholders of the Springvale Creamery Company, Limited, held this day, all the Directors elect being present.

Moved by L. P. Voison, seconded by W. A. McKay, That H. White be President; E. Reid, Vice President; and C. A. Madden, Secy.—Treasurer of this Company—*Carried*.

Moved by J. S. Howes, seconded by C. A. Madden, That a call of 40 per cent. be made on the shareholders payable on May 1st, and one of 25 per cent. payable on May 26th next, at the Treasurer's office, in compliance with terms of prospectus *re* the issue of stock—*Carried*.

The Secretary read offers as follows: Of land from S. J. Somerville; of building factory by Wm. McKenzie, and of machinery, &c., by J. J. Gibson, Wroxeter, Ont.

Moved by J. S. Howes, seconded by E. Reid, That the offer of S. J. Somerville of one acre of land for a factory site at \$200, being lot No. 12 on the third range west of the river, in the Town of Owen Sound, be accepted, and that the Treasurer is hereby authorized to pay him the said sum on the execution of a deed in fee simple of the property to this Company—*Carried*.

Moved by L. P. Voison, seconded by C. A. Madden, That the offer of Wm. McKenzie to build a factory 36x60 feet, two stories high with stone basement, as per plans and specifications submitted by him, be accepted, McKenzie to furnish all material, and to build in boiler and lay a good foundation for engine, and leave the building ready for occupation on or before the 10th day of May next for \$900, to be paid thus: \$500 on completion, and \$400 in three months, and that the President and Secretary are hereby authorized to sign a contract with the said Wm. McKenzie, in compliance with this resolution—*Carried*.

Moved by E. Reid, seconded by J. S. Howes, That the offer submitted by John J. Gibson of Wroxeter, Ont., to supply and put in position, boiler, engine, and all machinery and fixtures ready for operation, and supply all tools and appliances necessary for the manufacture of butter, according to his plan, specification and schedule attached to his offer, be accepted; said work to be done and tools furnished complete, on or before May 20th next for \$1600, to be paid thus: \$600 at time of completion, and the remainder six months after, and the President and Secretary are hereby authorized to enter into an agreement with him in compliance with this resolution—*Carried*.

The meeting was adjourned on motion duly adopted.

C. A. MADDEN, Secretary.

Minutes adopted May 10, 1891.

H. WHITE, President.

### *Minutes of Meeting of Directors in the Office in the New Factory, May 10, '91.*

Members all present. The President in the chair. Minutes of last meeting read and approved. The Directors having previously examined the work done by Wm. McKenzie, and found it completed according to contract, it was moved by C. A. Madden, seconded by E. Reid, That the work performed by Wm. McKenzie under contract, be accepted, and that he be paid the Company's cheque for \$500, and note at 3 months for \$400—*Carried*.

Moved by J. S. Howes, seconded by W. A. McKay, That the following accounts be passed, initiated by the President and Secretary, and paid by cheque: J. Loughheed for books and stationery, \$37.50; J. E. Hammond for printing, advertising, &c., \$41.40; C. A. Madden for salary for services in looking up patrons, \$22.20—*Motion carried.*

The meeting was adjourned on motion duly carried.

C. A. MADDEN, *Secretary.*

Minutes approved May 20th, 1891.

H. WHITE, *President.*

### *Office of Springvale Creamery Company, OWEN SOUND, May 20, 1891.*

The Board of Directors met on the date above mentioned. Members all present. The President in the chair. Minutes of last meeting read and approved.

The Directors inspected the work of J. J. Gibson under his contract, and checked off tools and appliances with the schedule attached to the contract.

Moved by F. C. McDowall, seconded by C. A. Madden, That J. J. Gibson be paid the Company's cheque for \$600 and note for \$1000 at six months, in full for his contract, the work and articles furnished being entirely satisfactory—*Carried.*

Moved by W. A. McKay, seconded by J. S. Howes, That the application of Herbert Agnew for the position of butter maker be accepted. He to do all the work in connection with the factory, and to be paid \$40 per month. Time to begin June 1st, and wages to be paid monthly—*Carried.*

Moved by E. Reid, seconded by F. C. McDowall, That the offer of W. J. Patterson to gather and draw cream at one half cent per inch, payable monthly, be accepted. He to furnish all horses, spring wagons, drivers, &c., necessary—*Carried.*

Moved by E. Reid, seconded by J. McMillan, That the offer of Fred Barber of one and three-fourths cents per gallon for the buttermilk of the factory, payable at the end of each month, be accepted—*Carried.*

Moved by L. P. Voison, seconded by F. C. McDowall, That the Secretary be paid a salary of \$50 a month while the factory is in operation, and that he is hereby authorized to purchase such supplies as may be required from time to time—*Carried.*

On motion the meeting adjourned.

C. A. MADDEN, *Secretary.*

Minutes approved June 30, 1891.

H. WHITE, *President.*

### *Office of Springvale Creamery Company, OWEN SOUND, June 30, 1891.*

#### DIRECTORS' MONTHLY MEETING.

Members all present. The President in the chair. Minutes of last meeting read and confirmed.

Moved by W. A. McKay, seconded by J. S. Howes, That the following bills and the register of patrons be passed and paid, and initialed by the President: M. & J. Wallace, supplies, \$130; James Park & Son, wrappers, \$113; Canada Pacific Railroad, freight, \$3.50; H. Agnew, wages, \$40; W. J. Patterson, drawing cream, \$19 34; patrons, per cream register, \$549.41—*Motion carried.*

On motion the meeting adjourned.

C. A. MADDEN, *Secretary.*

Minutes approved July 31, 1891.

H. WHITE, *President.*

NOTE.—It is unnecessary to place in this work the minutes of the meetings of July 31, August 31, September 30, October 31 and November 25, as they would be practically the same as those of June 30th. We shall proceed to those of the 30th November, where the dividend is declared.

### *Office of Springvale Creamery Company, OWEN SOUND, Nov. 30, 1891.*

#### DIRECTORS' MONTHLY MEETING.

Members all present. The President in the chair. Minutes of last meeting read and confirmed. The Secretary presented the following preliminary Balance Sheet, which estimates the profits of the Company at \$1126.68.



**Book-keeper's Preliminary Balance Sheet for Directors' Meeting, Nov. 30, 1891**

Ledg'r Folio	NAMES.	Dr.	Cr.	Resources.	Liabilities.	Losses.	Gains
2	H. White	300 00	225 00				
2	L. P. Voison	300 00	225 00				
2	F. C. McDowall	300 00	225 00				
3	J. S. Howes	500 00	375 00				
3	John McMillan	500 00	375 00				
3	W. A. McKay	500 00	375 00				
3	C. A. Madden	300 00	225 00				
4	Wm. Messenger	300 00	225 00				
1	Capital Stock		300 00				
1	Real Estate	1100 00		1100 00			
1	Expense	124 40				124 40	
1	Salaries, Directors' Fees	422 20				422 20	
5	Plant	1600 00		1500 00		100 00	
6	Merchants Bank	7808 26	7038 10	770 16			
7	Butter Account	4153 40	5926 68				1773 28
C. B.	Cash	6 52		6 52			
		18214 78	18214 78	3376 68		646 60	1773 28

**SUMMARY.**

Total Gains	1773 28	Total Resources	3376 68
" Losses	646 60	Paid up Stock	2250 00
Net Gain	1126 68	Net Gain	1126 68

**Memo of Board of Directors.** Pay bonus to stockholders—25% of subscribed stock—\$750; pay dividend to stockholders—10% on capital stock after 4th call, \$300; balance to be placed in Reserve Fund, \$76.68.

Moved by W. A. McKay, seconded by J. S. Howes, That the sum of Seven Hundred and Fifty Dollars of the profits of the Company be divided among the shareholders as follows: J. S. Howes \$125, John McMillan \$125, W. A. McKay \$125, C. A. Madden \$75, H. White \$75, W. Messenger \$75, L. P. Voison \$75, F. C. McDowall \$75, and that the cheques of the Company be passed to them immediately for these amounts—*Carried.*

Moved by J. S. Howes, seconded by C. A. Madden, That a dividend of 10 per cent. be paid to the shareholders on their paid up Capital Stock, amounting to \$300, payable on December, 1891, and that the balance of profits be placed in Reserve Fund—*Carried.*

Moved by L. P. Voison, seconded by W. A. McKay, That A. Gifford and C. K. Grigg be the Auditors of the accounts of this Company for the season just closed—*Carried.*

Moved by C. A. Madden, seconded by L. P. Voison, That the Annual General Meeting of this Company be held at the Head Office on the 10th of January next, and that the notice of the same be published in the "Owen Sound Advertiser"—*Carried.*

The meeting adjourned by resolution duly moved, seconded, and adopted.

C. A. MADDEN, *Secretary.*



## By-Laws.

Every Company makes a set of by-laws for the general direction of the affairs of the Company. These by-laws must be in accordance both with the Letters Patent Act and the Charter of the Company. Some Companies are more explicit in their by-laws than those subjoined here, but many are lax on this point, and careless as to whether they work by the by-laws or not. The author remembers a case where an accountant had been five years with a Company and had not in all that time seen a copy of the by-laws.

The by-laws are sometimes passed on first by the Directors, and afterwards submitted to a general meeting for approval.

### By-Laws of the Springvale Creamery Company, Limited.

Whereas the Directors of the Springvale Creamery Company, Limited, deem it expedient that certain by-laws for regulating the affairs of the Company should be made.

Now therefore be it enacted, and it is hereby enacted.

#### MEETINGS.

1. That the annual meeting of the shareholders shall be held at the office of the Company on the first Monday after the first day of January in each year, to receive the report of the Directors for the past year, to elect Directors for the ensuing year, and for all other general purposes relating to the management of the Company's affairs.

2. That a general meeting of the shareholders may be called at any time by the Directors whenever they may deem the same necessary or advisable for any purpose not contrary to law, or the Letters Patent of the Company or the Statute, and it is incumbent on the President to call a special meeting of the shareholders whenever required so to do in writing by one-fourth part in value of the shareholders of the Company, for the transaction of any business specified in such written requisition and notice calling the meeting.

3. That the notice of the time and place for holding the annual or a general meeting of the Company, must be given at least ten days previously thereto in the "Owen Sound Advertiser" or such other paper published in Owen Sound as the Directors may select, and also by mailing the same as a registered letter duly addressed to each shareholder, at least ten days previous to such meeting.

4. That meetings of the Directors shall be held as often as the business of the Company may require, and shall be called by the President.

5. That at general meetings of the Company, every shareholder shall be entitled to as many votes as he owns shares in the Company, and may vote by proxy.

6. That questions at meetings shall be decided by a majority in value of the shareholders present, either in person or by proxy, and in case the number of votes is equal, the President or Chairman shall have a deciding or casting vote.

#### DIRECTORS.

7. That the affairs of the Company shall be managed by a Board of five Directors, of whom three shall form a quorum.

8. That the President, Vice-President, and Secy.-Treasurer shall be chosen by the Directors from amongst themselves at the first board meeting after the annual meeting.

9. That the President shall, if present, preside at all meetings of the Company. He shall call meetings of the Board of Directors and Shareholders when necessary, and shall advise with and render such assistance to the Manager as may be in his power. In his absence the Vice-President shall have and exercise all the rights and powers of the President. A Director may at any time summon a meeting of Directors.

10. That questions arising at any meeting of Directors shall be decided by a majority of votes. In case of an equality of votes, the Chairman, in addition to his original vote, shall have a casting vote.

11. That the Secy.-Treasurer shall keep a record of the proceedings at all meetings of the Board and of the Shareholders of the Company, and shall be the custodian of the seal of the Company, and of all books, papers, records, cash, valuables, or securities, etc., belonging to the Company, which he shall deliver when authorized so to do by a resolution of the Board, to such person or persons as may be named in the resolution. He shall as Treasurer, keep the books of the Company, and receive and pay out the funds of the Company as ordered by the Board of Directors, and shall from time to time, whenever required, furnish to the said Board of Directors a financial statement of the affairs of the Company. He shall give bonds to the Company for the sum of \$2000 for the faithful discharge of his duties.

12. That any Shareholder, who is the holder of three shares of stock, not in arrears for payments for calls upon his stock, may be elected a Director.

13. That the Directors shall hold office for one year and until their successors shall be elected.

14. That in case of the death of a Director, or his being unable to act as such, or his ceasing to be a Shareholder, the vacancy thereby created may be filled for the unexpired portion of the term by the Board from among the qualified Shareholders of the Company.

15. That the Company shall have a corporate seal of such design as the Board may determine, which seal shall whenever used be authenticated by the signatures of the President and Secretary.

16. That the Board shall from time to time fix the salary or wages to be paid to officers of the Company.

#### STOCK.

17. That calls upon subscribed stock shall be made from time to time as the Board may determine.

18. That it shall not be compulsory on the Board to receive full payment of any share or shares until the same shall have been demanded by call.

19. That the Board shall have power to summarily forfeit shares and the money paid thereon, upon which any call shall have remained unpaid for six months after it shall be due and payable, and such forfeit stock shall thereupon become the property of the Company.

20. That receipts for payments of calls shall be issued from time to time as such payments are made, but stock certificates shall only be issued when shares are fully paid up, and both receipt and certificate shall be authenticated by the signature of the President and Secretary, and sealed with the Company's seal.

21. That shareholders may, with the consent of the Board, but not otherwise, transfer their shares, and such transfers shall be recorded in a book provided for the purpose, and a transfer entered on the old stock certificate signed by the shareholder selling and duly witnessed, but no person shall be allowed to hold or own stock in the Company without the consent of the Board.

#### ACCOUNTS.

22. That the Directors shall cause true accounts to be kept,—

Of the stock in trade of the Company.

Of the sums of money received and expended by the Company, and the matter in respect of which such receipt and expenditure takes place; and

Of the assets and liabilities of the Company.

23. That the books of accounts shall be kept at the Head Office of the Company, and shall be open to the inspection of the members during the hours of business.

24. That once at least in every year the Directors shall lay before the Company in general meeting a statement of the profits and expenses for the past year. A balance sheet shall be made out in every year, or oftener if desirable, and laid before the Company at general meeting, and such balance sheet shall contain a summary of the property and liabilities of the Company arranged under the necessary headings.

#### BANK ACCOUNT.

25. That a bank account shall be kept in the name of the Company at a bank to be selected by the Board, and all cheques shall be signed by the Secretary-Treasurer.

#### SOLICITOR.

26. That W. J. Gray, Esq., of Owen Sound, shall be the solicitor of the Company, but he may at any time be removed by a resolution of the Company, passed in general meeting.

#### AUDITORS.

27. That one or more Auditors shall be appointed annually by the Shareholders at the annual general meeting, whose duty it shall be to examine all books, vouchers and accounts of the Company, and all documents having reference to the business thereof, and to prepare a balance sheet and abstract of the affairs of the Company, and submit the same to the Board as soon after the close of the financial year as possible, together with such suggestions or recommendations as he or they may think fit.

#### CHANGING BY-LAWS.

28. That the Company at any general meeting may from time to time repeal, amend and re-enact these by-laws, but such change shall only be made by a vote of at least two-thirds of those present in person or by proxy.

Adopted by general meeting of the Shareholders by a full vote of the Shareholders present in person and by proxy, this 24th day of March, 1891.

E. WHITE,  
*President.*



CHAS. A. MADDEN,  
*Secretary.*

## Application for Shares.

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Everything is done formally in a Joint Stock Company, the Directors as a representative body having no official knowledge of any matter of business, unless it is brought before a meeting of Directors, either by written or verbal statement. A single Director may know of some fact or business personally, but to know of it officially is quite another matter. There is John Smith the *private individual*, as well as John Smith *Director* of the Company. If a person therefore desires shares in a Company, he should make known his desire to the Directors by making a formal application for the shares. The following is a suitable form.

### APPLICATION FOR SHARES.

---

OWEN SOUND, March 23, 1891.

The Directors of the Springvale Creamery Co., Limited, Owen Sound, Ont.

GENTLEMEN,—Please allot to me three shares in the Capital Stock of your Company of the value of \$100 each. I will sign the Stock Book for same on receipt of notice of allotment, and will pay calls on same in accordance with the terms of your prospectus.

Yours respectfully,

F. C. McDOWALL.

When this application comes before the Board of Directors, it will be their duty to consider whether the applicant will be a desirable shareholder. (1) As to financial standing—that he may be able to pay up the stock when called upon. (2) That he is not the emissary of an opposition concern, nor a man of cantankerous or quarrelsome disposition, &c. They will reject his application, or accept it by passing a resolution or by-law allotting the shares. If the Directors in their wisdom consider that it would be prudent to give a smaller number of shares than the number applied for, they could allot a less number. Some Companies have a by-law limiting the number of shares that any one person can hold, and the number of proxy votes that he may vote on, so that one person would not be permitted to control the Company. Upon the allotment of the stock the Secretary would write a notice to the applicant for shares similar to the following :—

### NOTICE OF ALLOTMENT OF SHARES.

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OWEN SOUND, March 24, 1891.

F. C. McDowall, Esq., Owen Sound, Ont.

DEAR SIR,—At a meeting of the Board of Directors of the Springvale Creamery Co., Limited, held to-day, three shares in the Capital Stock of the Company, of \$100 each, being numbers 28, 29 and 30, were duly allotted to you in compliance with your application of yesterday. You will please call at my office and sign the Stock Book and make payment of the first call of 10 per cent., amounting to \$30.

Yours obediently,

C. A. MADDEN, *Sec. Treasurer.*



## Voting Powers of Shareholders and President.

According to Sec. 5 of By-laws, page 81, made in harmony with the Letters Patent Act, each shareholder has one vote at all general meetings of the Company for each share he owns, and may vote either personally or by proxy—that is, appoint another person to vote for him if he cannot be present. The person voting for another may be directed to vote either first (and generally), according to his own best judgment at the time, or second, he may be directed to cast a particular vote on some special business. In this last case he may vote one way on his own shares, and another way on the shares he represents as a proxy. If there is anything due and unpaid on shares, the owner thereof is not entitled to any vote on them while there is a call unpaid that is due.

Proxies are sometimes given for one meeting and its adjournments, like the subjoined form.\* Sometimes for a definite time, such as one year, and sometimes it is a general proxy that is valid until recalled or revoked.

### PROXY.

Know all men by these presents that I, John McMillan, being the holder of ten shares in the Capital Stock of the Springvale Creamery Company, Limited, do hereby nominate, constitute and appoint Harry White, my attorney for me in my place and stead, to vote as my proxy at the election of the Directors, and on all other business that shall come before the annual meeting of the said Company to be held at Owen Sound on the 24th day of March, 1891, and at every adjournment of said meeting.

Signed, sealed and delivered  
in the presence of  
V. VANDUSEN.

} JOHN McMILLAN. (L. S.)

\*The stockholders have power to elect officers to act as the agents of the Company, and to make by-laws for their direction. They also give general directions to officers what to do, and how to do it. All of these acts must of course be in accordance with the laws of the country, and consistent with the charter. When such officers are appointed, the powers of the stockholders *to do business* is really exhausted. It is placed in the hands of the officers who are agents of the Company, and bind such Company by their acts.

If officers are guilty of fraud, misapplication of funds, etc., these officers are liable to the stockholders, and amenable to the laws of the land.

If they are guilty of negligence, they are liable to the shareholders.

If they are incompetent, others can be elected in their place at the close of their term of office.

### TWO VOTES FOR THE CHAIRMAN OR PRESIDENT.

There is a custom in taking a vote on any question that is quite unknown in many places, that is, that the President or Chairman has a right to vote as a shareholder or Director when the vote is being taken on any question, and his vote should be counted just the same as any other shareholder or Director. In case there is an equality of votes cast—"a tie"—the President or Chairman who has already voted, has a right as President or Chairman by virtue of his office, to give the casting vote. Thus voting twice on the same subject—once as a private individual, and once as an officer



**SPRINGVALE CREAMERY COMPANY, LIMITED.**

Cream Book for the Month of June, 1891.

[illegible]

## Cream Register.

The foregoing book does not belong to Joint Stock Company work any more than to ordinary book-keeping. It is simply a convenience that would be used by any intelligent book-keeper, whether the work belonged to a single individual, a partnership, or a company. It is a book to save entries. Instead of journalizing every persons' cream every day it was collected, and posting it to his credit in a ledger, this is made to do for day-book, journal and ledger, as well as a receipt book for patrons to acknowledge payment of their monthly bill. The test columns are for the trials of the quality of the patrons' cream. Four monthly tests are made, and the average quality found for the month. Suppose the average test was 15—that is, 1 inch of cream makes  $\frac{15}{16}$  lbs. butter. The patron is paid for  $\frac{15}{16}$  of an inch, as the inch should make a pound of butter. Some factories adopt a decimal system of tests instead of the fraction of a pound system here presented. In either case the result is the same. The total quantity of cream delivered multiplied by the average test gives the quantity to be paid for. The person who gathers the cream should carry a book, ruled like the part of the Cream Register, in which to enter the cream as he measures it. When he delivers at the factory, the quantities should be entered opposite the respective names in the Cream Register. At the end of the month each patron's total is carried out. These totals added together should equal the sum of the daily totals of cream at the bottom of the page. The book-keeper in this way has a check on his own work. The amount due each patron is found, the sum paid to each, and his signature taken receipting such settlement. The whole amount of the payments is entered in one amount in the Cash Book.

It is customary to enter the day's make of butter immediately under the total of cream for the day, also the delivery of the buttermilk, the total product is found by adding up. The following is a sample of the book used on the gathering wagon :—

### CREAM GATHERER'S BOOK.

No.	Name of Patron.	Township.	INCHES OF CREAM FOR JUNE.											
			4	6	8	11	13	15	18	20	22	25	27	29
1	D. Coury	Sydenham.	10	12	8	9	10	8	12	10	9	13	11	10
2	J. Calbert.	"	9	10	12	8	9	10	11	12	13	10	12	8
3	W. H. Jones.	"	14	12	11	16	13	12	15	16	13	11	13	12
4	W. A. Day.	"	15	14	10	8	12	13	16	14	15	12	10	13
5	T. Moore.	"	14	15	13	12	15	16	13	10	14	15	13	14
6	D. Ross.	"	10	12	15	9	10	12	11	13	14	16	10	12
7	R. Hatton.	"	11	13	12	11	10	13	15	10	9	8	15	12
8	D. Campbell.	"	8	10	9	10	14	10	12	13	9	10	12	9
9	J. Baker.	"	8	9	8	7	12	13	10	9	8	7	16	10
10	James Burr.	"	12	14	13	12	11	10	14	13	12	9	10	13
11														
12														
13														
14	(Patrons not all entered up. Sufficient are entered to show design of book.)													
15														
16														
17														
18														
19														
20														
	Total.		332	347	337	317	330	336	356	327	342	338	338	341

## The Journal.

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There is nothing specially new in regard to the Journal in Joint Stock work. This book is used just as it was in ordinary work. There are some transactions that may seem new. For example, the one regarding the allotment of stock. But when we apply the ordinary rules for journalizing to them, there is no trouble. In the example mentioned, the shareholder gets into debt to the company, therefore we charge him with the amount of his subscription in the Stock Book, and we credit him when he pays in capital just as we would any ordinary partner. The profits at the end are paid out as a bonus and a dividend. The bonus was paid to the shareholders by cheque, and immediately returned to the Company as the last call on stock. Then the dividend is paid in cash on the entire paid up capital. This is put in the Cash Book. The only difference between this and the ordinary paying out of profits, is that the payments are charged respectively to Bonus and Dividend accounts, and these close into Loss and Gain, while in the ordinary partnership the Loss and Gain account is closed into Proprietor's account, and the proprietor is charged with his withdrawal. The Company work could be done in this way too, and the dividend credited to each, and each one charged with the payment. There is no need for this. Indeed it should not be done, as the share value is a fixed amount in the Company work, while the partners' account is subject to constant fluctuations in partnership work. The student will find the journalizing very simple if he will only apply the ordinary rules.

It will be noticed that we have adopted the principle of having an entry in the Journal or some other principal book, for every entry in the Ledger, so that full explanation can be had for all entries. Even in the ordinary closing entries that are frequently made only in the Ledger, we make them in the Journal, and in this way have an opportunity of writing out a full explanation of each closing entry. There is no reason why these should not be put in the Journal, and many reasons why they should appear there. In this way we make the Ledger what it really should be—a receptacle into which *all* the business is brought and classified. This principle of making the Journal and other books historical, and the Ledger only a sort of collecting and classifying apparatus, does not belong to Joint Stock Company work alone. It is equally necessary for all kinds of work for private individuals, partnerships, associations, societies, &c., and if this principle were strictly adhered to there would be many an hour's work saved and many moments of perplexity removed.

It will be noticed that the Journal entry part is in heavy type, indicating that the entry for posting should be written heavier and larger than the explanatory part.

It is also worthy of attention that a memorandum should be made in the Journal of every offer made or received or accepted or rejected, and contract entered into, and every agreement as regards salary, duties of officers, date of beginning work, or dismissal, the date of opening and closing a factory, and all such business items as will afterwards be convenient for reference. We remember of a case of a Stock Company taking land, and a factory and lot, and a quantity of plant, as payment on stock, and the entire deeds of the land and factory, and the bill of sale of the plant, were copied into the Journal. Do not be afraid of a few pages of Journal. Make your entries so explicit that there can be no

doubt about their meaning. While this is necessary in ordinary single proprietor's work, it is doubly necessary in Stock Company books, where all the work has to be carefully scrutinized by the Auditor every year when preparing for the annual statement.

It is well in making Journal entries to give pages of reference to other books—such as Minute Book, and registers of various kinds, the numbers of cheques, notes, drafts, &c., connected with the transactions, and the numbers of vouchers or receipts taken when payment of an account is made by contra account or in cash. A Journal entry without such reference pages or numbers where they could be put in, would be considered incomplete.

## Plant Account.

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To this account we charge all the machinery, engine, boiler, tools and appliances used in the process of manufacture. A little discussion of this account might be in order here. It is the practice of many accountants to keep this account charged with all the property that is not considered as real estate—all the chattels of the business used in its work. In a foundry and machinery business all its machinery, engine, boiler, lathes, drills, patterns, &c., would be charged to Plant. A Gas Company would have all of its tools, machinery, apparatus, and the pipes laid on the streets, its services, its meters, &c., charged to plant. Some accountants very properly make a division of this account, of which we heartily approve where the Company's business is large, viz., charge to Plant Account all machinery, engines, boilers, &c., that are fastened down or attached to the building, and all parts, valves, &c., belonging to them, and charge to Tools Account all movable articles, such as hammers, wrenches, pulleys, ropes, chains, &c., &c. There is perhaps no necessity for the finer division in the case of the Creamery Company in hand. In case of a foundry or such business, the length of time plant will last as compared with tools, is much greater, therefore they are well to be separated so that a proper amount can be written off each kind easily at the end of each year for depreciation, the life of the tools being perhaps three to five years, while the machinery with ordinary repairs and due care might last from ten to twenty years. If the one Company had several factories, it is right to keep a separate Plant Account with the machinery, &c., of each. A complete inventory should be made each year of every machine and article separately for each Plant Account at the time when the stock is regularly taken. This will keep a check on the men using the articles, and prevent them carelessly leaving the tools where they used them at work. It will likewise show that it was definitely known by the management that they possessed the tools and appliances represented by their accounts.

If any portion of the plant were removed permanently from one factory to another so that it really became part of the plant of the other factory, it should be written off one Plant Account and on to the other, thus :—

Plant Account, Factory A \$200	To Plant Account, Factory B \$200
--------------------------------	-----------------------------------

For one steam hammer, combined shears and punch, removed from Foundry in Toronto to Steel Ship-Yard at Owen Sound.



OWEN SOUND, Feb. 15, 1891.

Dr. Cr.

Application was this day made by J. S. Howes, L. P. Voison, W. A. McKay, C. A. Madden, H. White, and E. Reid, to the Lieutenant Governor of Ontario, in Council, for Letters Patent incorporating them as a Joint Stock Company, with powers to manufacture and deal in Creamery Butter, also dairy produce, &c., under the corporate name of Springvale Creamery Company, Limited,

March 24.

The Letters Patent having been received from the Government, the Stock Book of the Company was opened, and the following subscriptions to the Capital Stock received, and first calls of ten per cent. paid by all in cash per Cash Book.

3	J. S. Howes, Five Shares at \$100	500 00	
3	John McMillan, Five Shares at " "	500 00	
3	W. A. McKay, Five Shares at " "	500 00	
3	C. A. Madden, Three Shares at " "	300 00	
2	H. White, " " "	300 00	
2	E. Reid, " " "	300 00	
2	L. P. Voison, " " "	300 00	
2	F. C. McDowall, " " "	300 00	
	To Capital Stock		3000 00

24

The following persons were elected officers :—  
H. White, *President* ; E. Reid, *Vice President* ; C. A. Madden, *Secy.-Treasurer* ; J. S. Howes, L. P. Voison, and W. A. McKay, *Directors*.

24

1	Real Estate,	200 00	
4	To Merchants Bank,		200 00
	The offer of J. S. Somerville of one acre of land for factory site was accepted. The deed was duly executed, and the price, \$200, was paid by cheque on Merchants Bank.		

24

1	Expense,	40 00	
4	To Merchants Bank,		40 00
	Paid W. J. Gray, Solicitor, Charter Fees, \$30, services rendered, \$10, by cheque.		

24

Wm. McKenzie's offer to build a factory 36 x 60, two storeys high, with stone basement, as per specifications and plans prepared by him, was accepted, payable \$500 when work is completed, and \$400 in three months.

1	Carried forward	3240 00	3240 00
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OWEN SOUND, March 24, 1891.

Dr. Cr.

		<i>Brought forward</i> - - -	3240	3240 00
		The offer of John J. Gibson of Wroxeter, to furnish and fit up the factory with engine, boiler, shafting and machinery, water pipes, apparatus and appliances—a complete outfit for the manufacture of butter, was accepted, payable \$600 on the completion of the work, and \$1000 in six months.		
		----- May 10 -----		
1		<b>Expense,</b> - - - - -	78 90	
4		<b>To Merchants Bank,</b> - - -		78 90
		The following bills were passed by the Directors, initialed, and ordered to be paid by cheque:—Books and Stationery, J. Lougheed, \$37.50; Printing, J. E. Hammond, \$41.40.		
		----- 10 -----		
1		<b>Salaries and Directors' Fees,</b> - - - - -	22 20	
4		<b>To Merchants Bank,</b> - - -		22 20
		C. A. Madden's account for salary was passed by the Directors, initialed, and ordered to be paid by cheque.		
		----- 10 -----		
1		<b>Real Estate,</b> - - - - -	900 00	
4		<b>To Merchants Bank,</b> - - -		500 00
5		<b>To Bills Payable,</b> - - -		400 00
		W. McKenzie having completed contract of building satisfactorily, was paid by cheque \$500, and a note at 3 months for balance of account \$400.		
		----- 20 -----		
		The Secretary was authorized to conduct the business of the Company at a salary of \$50 per month during the season.		
		----- 20 -----		
		Engaged Herbert Agnew as butter maker for the season, at \$40 per month, to begin June 1st, payable monthly.		
		----- 20 -----		
		Made an agreement with W. J. Patterson to gather the cream from the patrons at the rate of one-half cent per inch, payable monthly.		
		----- 20 -----		
		Sold to F. Barber our buttermilk product at 13¼ cents per gallon, payable monthly.		
		<i>Carried forward</i> - - -	4241 10	4241 10

OWEN SOUND, May 20, 1891.

Dr. Cr.

		<i>Brought forward</i>	4241 10	4241 10
5	Plant Account,		1600 00	
4	To Merchants Bank,			600 00
5	To Bills Payable,			1000 00
	John J. Gibson having completed his contract of machinery and appliances satisfactorily, was paid by cheque \$600 and a note at six months for balance \$1000.			
		20		
7	Butter Account,		130 00	
5	To M. & J. Wallace,			130 00
	Bought of M. & J. Wallace, Toronto, on account, as per invoice, supplies of dairy salt, tubs, &c.			
		20		
7	Butter Account,		113 00	
5	To J. Park & Son,			113 00
	Bought of J. Park & Son, St. Lawrence Market, Toronto, on account, 60000 parchment wrappers.			
		July 20		
5	J. Park & Son,		867 00	
7	To Butter Account,			867 00
	Sold J. Park & Son, Toronto, 2000 lbs. Tub Butter, at 20 cents, and 1868 lbs. butter in 1 lb. prints, at 25 cents.			
		25		
4	Merchants Bank,		753 00	
1	Expense,		1 00	
5	To J. Park & Son,			754 00
	Drew on J. Park & Son at sight for amount of invoice of 20th inst., less the amount of his invoice of wrappers, and had same discounted at bank. Face of draft \$754, discount \$1, proceeds placed to Company's credit.			
		Aug. 2		
5	J. Park & Son,		1080 00	
7	To Butter Account,			1080 00
	Sold J. Park & Son 3000 lbs. Tub Butter at 20 cents, and 2000 lbs. of butter in 1 lb. prints at 24 cents.			
		<i>Carried forward</i>	8785 10	8785 10

OWEN SOUND, Aug. 13, 1891.

		Dr.	Cr.
	<i>Brought forward</i> - - -	8785 10	8785 10
5	<b>Bills Payable,</b> - - - - -	400 00	
4	<b>To Merchants Bank,</b> - - -		400 00
	Paid our note in favor of Wm. McKenzie, due to-day, by cheque on bank.		
	31		
5	<b>J. Park &amp; Son,</b> - - - - -	1017 00	
7	<b>To Butter Account,</b> - - -		1017 00
	Sold J. Park & Son 2700 lbs. Tub Butter at 21 cents, and 1800 lbs. of butter in one pound prints at 25 cents.		
	Sept. 10		
4	<b>Merchants Bank,</b> - - - - -	1015 75	
1	<b>Expense,</b> - - - - -	1 25	
5	<b>To J. Park &amp; Son,</b> - - -		1017 00
	Drew on J. Park & Son at sight for invoice of butter shipped them Aug. 31st, and had draft discounted at bank, and proceeds placed to the credit of the Company. Face of draft \$1017, discount \$1.25.		
	30		
	W. A. McKay was elected Vice President in place of E. Reid resigned.		
	30		
4	<b>Wm. Messenger,</b> - - - - -	300 00	
2	<b>To E. Reid,</b> - - - - -		300 00
2	<b>E. Reid,</b> - - - - -	225 00	
4	<b>To Wm. Messenger,</b> - - -		225 00
	E. Reid has transferred his stock to Wm. Messenger. Three shares, Nos. 22, 23, and 24, as per transfer No. 1, sanctioned by the Directors. See Minute Book folio — Face of shares \$300 ; amount paid up \$225.		
	Oct. 5		
5	<b>J. Park &amp; Son,</b> - - - - -	1092 00	
7	<b>To Butter Account,</b> - - -		1092 00
	Sold J. Park & Son, Toronto, 4200 lbs. Butter in 1 lb. prints at 26 cents, \$1092.		
	20		
4	<b>Merchants Bank,</b> - - - - -	1090 75	
1	<b>Expense,</b> - - - - -	1 25	
5	<b>To J. Park &amp; Son,</b> - - -		1092 00
	Drew on J. Park & Son at sight, invoice of 5th inst., and had draft discounted at bank, and proceeds placed to credit of the Com- pany. Face of draft \$1092, discount \$1.25.		
	<i>Carried forward</i> - - -	13928 10	13928 10



OWEN SOUND, Oct. 31, 1891.

Dr. Cr.

		<i>Brought forward</i> - - -	13928 10	13928 10
5		<b>M. &amp; J. Wallace,</b> - - - - -	130 00	
6		<b>To Merchants' Bank,</b> - - -		130 00
		Remitted to M. & J. Wallace cheque on bank for invoice of May 20th, \$130.		
		31		
1		<b>Salary &amp; Directors' Fees,</b> - - - - -	200 00	
6		<b>To Merchants' Bank,</b> - - -		200 00
		Paid C. A. Madden by cheque on bank, 4 months' salary at \$50 per month, \$200.		
		31		
7		<b>Butter Account,</b> - - - - -	50 00	
5		<b>To M. &amp; J. Wallace.</b> - - -		50 00
		Bought of M. & J. Wallace, salt, tubs, and other supplies, as per invoice, \$50.		
		31		
		The fourth call of 25 per cent. of the subscribed capital was made, payable Dec. 1st next.		
		Nov. 5		
5		<b>J. Park &amp; Son,</b> - - - - -	720 00	
7		<b>To Butter Account.</b> - - -		720 00
		Sold J. Park & Son, Toronto, 3000 lbs. of Butter in 1 lb. prints at 24 cents.		
		8		
6		<b>Merchants Bank,</b> - - - - -	719 00	
1		<b>Expense,</b> - - - - -	1 00	
5		<b>To J. Park &amp; Son,</b> - - - - -		720 00
		Drew on J. Park & Son at sight, for shipment of the 5th inst., and received credit at bank for amount of draft, less discount. Face of draft \$720, discount \$1.		
		23		
5		<b>Bills Payable,</b> - - - - -	1000 00	
6		<b>To Merchants Bank,</b> - - -		1000 00
		Paid our note in favor of J. J. Gibson, dated May 20th, due to-day, by cheque on bank, \$1000.		
		25		
5		<b>J. Park &amp; Son,</b> - - - - -	750 00	
7		<b>To Butter Account.</b> - - -		750 00
		Sold J. Park & Son 2500 lbs. Butter in 1 lb. prints, at 30 cents.		
		<i>Carried forward</i> - - -	17498 10	17498 10

OWEN SOUND, Nov. 26, 1891.

Dr. Cr.

		<i>Brought forward</i>	- - -	17498 10	17498 10
5		<b>M. &amp; J. Wallace,</b>	- - - - -	50 00	
6		<b>To Merchants Bank,</b>	- - -		50 00
		Remitted to M. & J. Wallace cheque for invoice of Oct. 31st, \$50.			
		26			
6		<b>Merchants Bank,</b>	- - - - -	749 00	
1		<b>Expense,</b>	- - - - -	1 00	
5		<b>To J. Park &amp; Son,</b>	- - -		750 00
		Drew on Park & Son for amount of shipment of 25th inst. Received credit at bank for draft less discount. Amount of draft \$750, discount \$1.			
		Dec. 1			
7		<b>Bonus Account,</b>	- - - - -	750 00	
6		<b>To Merchants Bank,</b>	- - -		750 00
		At a meeting of Directors a bonus of 25 % was declared, as per resolution of Minute Book, folio— Gave stockholders cheque on bank for 25 % of subscribed stock, as follows: J. S. Howes \$125, John McMillan \$125, W. A. McKay \$125, C. A. Madden \$75, H. White \$75, W. Messenger \$75, L. P. Voison \$75, and F. C. McDowall \$75, as per resolution.			
		NOTE. The above bonus was declared in time to meet the fourth call on stock, and for the express purpose of paying it. The above is the method usually adopted. The entry might be made: Bonus account Dr. \$750. To J. S. Howes \$125, John McMillan \$125, W. A. McKay \$125, C. A. Madden \$75, H. White \$75, L. P. Voison \$75, W. Messenger \$75, and F. C. McDowall \$75. This would cover the above entry in the Journal and the one on Dr. side of the Cash Book on same date,			
		I			
		<b>Paid up Capital Account,</b>	- - - - -	3000 00	
		<b>To J. S. Howes,</b>	- - -		500 00
		<b>W. A. McKay,</b>	- - -		500 00
		<b>John McMillan,</b>	- - -		500 00
		<b>C. A. Madden,</b>	- - -		300 00
		<b>H. White,</b>	- - -		300 00
		<b>L. P. Voison,</b>	- - -		300 00
		<b>F. C. McDowall,</b>	- - -		300 00
		<b>W. Messenger.</b>	- - -		300 00
		The above entry places the paid account capital in the Stock Ledger, the shareholders accounts being closed in the General Ledger. See pages 60, 61 and 108—104.			
		<i>Carried forward</i>	- - -	22048 10	22048 10

To be posted to the Stock Ledger only.

OWEN SOUND, Dec. 1, 1891.

Dr. Cr.

		<i>Brought forward</i>	-	-	-	22048	10	22048	10
4		<b>Loss and Gain Account,</b>	-	-	-	646	60		
1		<b>To Expense,</b>	-	-	-			124	40
1		<b>Salary and Directors' Fees,</b>	-	-	-			422	20
5		<b>Plant (for wear and tear,)</b>	-	-	-			100	00
		Closing entries for expenses, &c.							
7		<b>Butter Account,</b>	-	-	-	1773	28		
4		<b>To Loss and Gain,</b>	-	-	-			1773	28
		Closing entry for profits on butter.							
4		<b>Loss and Gain,</b>	-	-	-	1050	00		
4		<b>To Bonus Account,</b>	-	-	-			750	00
6		<b>Dividend Account,</b>	-	-	-			300	00
		Entry closing accounts of profits disbursed to share- holders.							
4		<b>Loss and Gain Account,</b>	-	-	-	76	68		
6		<b>To Reserve Fund Account,</b>	-	-	-			76	68
		Entry closing the surplus profits remaining in Profit and Loss Account into Reserve Fund.							
1		<b>Capital Stock Account,</b>	-	-	-	3000	00		
6		<b>Reserve Fund Account,</b>	-	-	-	76	68	3076	68
7		<b>To Balance,</b>	-	-	-				
		Entry closing Proprietary Liability Accounts.							
7		<b>Balance,</b>	-	-	-	3076	68		
1		<b>To Real Estate,</b>	-	-	-			1100	00
5		<b>Plant Account,</b>	-	-	-			1500	00
6		<b>Merchants Bank,</b>	-	-	-			476	68
		Entry closing accounts showing assets.							
						31748	02	31748	02

## The Cash-Book.

There is nothing peculiar regarding the Cash-Book of a Joint Stock Company, therefore there is nothing in the Cash-Book here that would not be in any ordinary Cash-Book. The payments on butter account each month are put down in the explanation part of the entry in full, but carried out into the payment column in total to save posting. A special form of Cash-Book will be presented in connection with the next set of books that will be found very useful where all payments are made by cheque, but where the payments are usually made in cash as they are in connection with this creamery business, the ordinary form of Cash-Book has been adhered to.

Dr.

## CASH.

		Cash	To Sundries.		
1891	LF		Treasurer received from Stockholders	50 00	
Mar.	24 3	J. S. Howes	10 per cent. of subscribed stock.	50 00	
	24 3	Jno. McMillan		50 00	
	24 3	W. A. McKay		30 00	
	24 2	C. A. Madden		30 00	
	24 2	H. White		30 00	
	24 2	E. Reid		30 00	
	24 2	L. P. Voison		30 00	
	24 2	F. C. McDowall		30 00	300 00
					300 00
May	1 3	J. S. Howes	Treasurer received from Shareholders	200 00	
	3	Jno. McMillan	amount of 2nd call, being 40 per cent. of	200 00	
	3	W. A. McKay	subscribed stock.	200 00	
	3	C. A. Madden		120 00	
	3	H. White		120 00	
	2	E. Reid		120 00	
	2	L. P. Voison		120 00	
	2	F. C. McDowall		120 00	
	26 3	J. S. Howes	Treasurer received from Shareholders	125 00	
	3	Jno. McMillan	amount of 3rd call, being 25 per cent. of	125 00	
	3	W. A. McKay	subscribed stock.	125 00	
	3	C. A. Madden		75 00	
	2	H. White		75 00	
	2	E. Reid		75 00	
	2	L. P. Voison		75 00	
	2	F. C. McDowall		75 00	1950 00
					1950 00
June	30 4	Balance Merchants Bank	Treasurer withdrew by cheque.	46 50 608 75	655 25
					655 25
					46 50
July	1	Balance Butter Account	Received Barber's cheque for buttermilk	50 75	
			for month of June, 2900 gallons at 1 $\frac{3}{4}$ cts.,		
			\$50.75.		
	30 4	Merchants Bank	Withdrew	765 00	
	31 7	Butter Account	Received from Barber cash for butter-	65 63	881 38
			termilk for July \$65.63.		
					927 88



CASH.

Cr.

1891	LF	<i>Sundries</i>	<i>To Cash.</i>				
Mar. 24	4	Merchants Bank	Opened an account with branch of Merchants Bank, and deposited cash.			300 00	
							300 00
May 1	4	Merchants Bank	Deposited	1200 00			
26	4	Merchants Bank	Deposited	700 00			
30	7	Butter Account	Paid freight and cartage on invoices of M. & J. Wallace and J. Park & Son.	3 50	1903 50		
30		<i>Balance</i>	<i>Cash on hand</i>			46 50	
							1950 00
June 30	7	Butter Account	Paid to patrons as per cream register for month of June, \$549.41; also paid H. Agnew's wages \$40, and to W. J. Patterson for drawing cream \$19.34, by order of Directors			608 75	
30		<i>Balance</i>	<i>Cash on hand</i>			46 50	
							655 25
July 25	7	Butter Account	Paid Jas. Morton for 20 cords of wood at \$2.50 per cord, by order of the Directors.	50 00			
31	7	Butter Account	Paid to patrons, as per cream register for July, \$700; also paid H. Agnew's wages \$40, and paid W. J. Patterson for drawing cream \$25, by order of Directors	765 00	815 00		
31		<i>Balance</i>	<i>Cash on hand</i>			112 88	
							927 88

## Dr.

CASH.

1891	LF	Balance				112	88
Aug. 12	5	J. Park & Son	Received cheque from J. Park & Son for Invoice of Butter shipped 2nd inst.	1080	00		
	31	4 Merchants Bank	Withdrew	692	00	1772	00
						1884	88
Sep. 1	7	Balance Butter Account	Received cheque from Barber for buttermilk for August	59	07	44	25
	30	4 Merchants Bank	Withdrew	656	25	715	32
						759	57
Oct. 1	7	Balance Butter Account	Received cheque from Barber for buttermilk for September	51	88	103	32
	30	4 Merchants Bank	Withdrew	620	00	671	88
						775	20
Nov. 2	7	Balance Butter Account	Received Barber's cheque for buttermilk for October, 3150 gallons at 1 $\frac{3}{4}$ cts.	55	13	153	30
	5	7 Butter Account	Sold J. McLauchlan & Sons, Owen Sound, for cash, 1000 lbs, Butter for cooking, at 8 cts.	80	00		
	26	6 Merchants Bank	Withdrew	475	00		
	26	7 Butter Account	Received Barber's cheque for buttermilk for November	38	22	648	35
						801	65
Dec. 1	31	Balance J. S. Howes	Treasurer, received from shareholders amount of 4th call on stock, being 25 %	125	00	6	52
	3	John McMillan		125	00		
	3	W. A. McKay		125	00		
	3	C. A. Madden		75	00		
	2	H. White		75	00		
	4	W. Messenger		75	00		
	2	L. P. Voison		75	00		
	2	F. C. McDowall		75	00	750	00
						756	52



## The Ledger.

There is nothing really special in a Joint Stock Company Ledger. It is kept just the same as in ordinary book-keeping. A point or two on the results of some of the accounts would not perhaps be out of place. The Capital Stock Account shows the par value of all stock subscribed for. It does not show anything about paid up stock whatever. It would be debited if any shares were cancelled. The Shareholders' Accounts in the ledger are in balance whenever they have paid up their shares in full, hence the necessity for a Stock Ledger where their paid up stock would be found at their credit to show their interest in the Company. In Expense Account we find the cost of bringing money from Toronto, that is sometimes charged to Exchange Account or Discount Account, In Butter Account on the Debit side is all the cost of the butter, the cream, the drawing, the buttermakers wages, the wrappers, tubs, and other supplies used for it, and the freight paid on such supplies. On the Credit side we find the proceeds from sales of both butter and buttermilk. This Account corresponds with Merchandise Account in an ordinary business. It closes into Loss and Gain the same as Merchandise Account. If the Debit side is the greater there has been a loss because it has cost more than it produced. If the Credit side is the greater, there has been a gain, as there is in this case, of \$1773.28. Instead of the Balance Account sometimes opened in the ledger, we simply bring down the balances of accounts, showing Resources and Liabilities, ready for another season's work.

DR.		CAPITAL STOCK.		CR.	
1891.		1891			
		Mar. 24	By Sundries	1	3000 00

1891				H. WHITE.				1891			
Mar. 24	To Capital Stock	1	300 00	Mar. 24	By Cash	1	30 00				
				May 1	" "	1	120 00				
				" 26	" "	1	75 00				
				Dec. 1	" "	3	75 00				
			400 00				300 00				

1891				<i>E. REID.</i> 1891			
Mar. 24	To Capital Stock	I	300 00	Mar. 24	By Cash	I	30 00
Sep. 30	" Wm. Messenger		225 00	May 1	" "	I	120 00
				" 26	" "	I	75 00
				Sep. 30	" Wm. Messenger	5	300 00
							525 00



DR.				L. P. VOISON.				CR.			
1891				1891							
Mar. 24	To Capital Stock	1	300 00	Mar. 24	By Cash	1	30 00				
			.	May 1	" "	1	120 00				
				" 26	" "	1	75 00				
				Dec. 2	" "	3	75 00				
			300 00				300 00				

1891				F. C. McDOWALL.				1891			
Mar. 24	To Capital Stock	1	300 00	Mar. 24	By Cash	1	30 00				
				May 1	" "	1	120 00				
				" 26	" "	1	75 00				
				Dec. 1	" "	3	75 00				

1891				J. S. HOWES.				1891			
Mar.	24	To Capital Stock	1	500 00	Mar.	24	By Cash	1	50 00		
					May	1	" "	1	200 00		
					"	26	" "	1	125 00		
					Dec.	1	" "	3	125 00		
				500 00					500 00		

1891				JOHN McMILLAN.				1891			
Mar. 24	To Capital Stock	1	500 00	Mar. 24	By Cash	1	50 00				
				May 1	" "	1	200 00				
				" 26	" "	1	125 00				
				Dec. 1	" "	3	125 00				
			500				500 00				

1891				W. A. McKAY.				1891			
Mar.	24	To Capital Stock	1	500	00	Mar.	24	By Cash	1	50	00
						May	1	" "	1	200	00
						"	26	" "	1	125	00
						Dec.	1	" "	3	125	00
				500	00					500	00

DR.			<i>C. A. MADDEN.</i>			CR.		
1891			1891					
Mar. 24	To Capital Stock	1 300 00	Mar. 24	By Cash		1	30 00	
			May 1	" "		1	120 00	
			" 26	" "		1	75 00	
			Dec. 1	" "		3	75 00	

*WM. MESSENGER.*

1891			1891					
Sep. 30	To E. Reid	5 300 00	Sep. 30	By E. Reid		5	225 00	
			Dec. 1	" Cash		3	75 00	

*REAL ESTATE.*

1891			1891					
Mar. 24	To Merchants Bank	2 200 00	Dec. 1	By Balance		9	1100 00	
May 10	" Sundries	3 900 00						
		1100 00					1100 00	
Dec. 1	Balance	1100 00						

*BILLS PAYABLE,*

1891			1891					
Aug. 13	To Merchants Bank	4 400 00	May 10	By Real Estate		3	400 00	
Nov. 23	" " "	6 1000 00	" 20	" Plant Account		3	1000 00	
		1400 00					1400 00	

*M. & J. WALLACE.*

1891			1891					
Oct. 31	To Merchants Bank	5 130 00	May 20	By Butter Account		4	130 00	
Nov. 26	" " "	6 50 00	Oct. 31	" " "		5	50 00	
		180 00					180 00	

*PLANT.*

1891			1891					
May 20	To Sundries	3 1600 00	Dec. 1	By Loss and Gain		8	100 00	
			" 1	" Balance		9	1500 00	
		1600 00					1600 00	

DR.

EXPENSE.

CR.

1891					1891				
Mar. 24	To Merchants Bank	2	40	00	Dec. 1	By Loss and Gain	8	124	40
May 10	" " "	3	78	90					
July 20	" J. Park & Son	4	1	00					
Sep. 10	" " "	4	1	25					
Oct. 20	" " "	5	1	25					
Nov. 8	" " "	6	1	00					
" 26	" " "	6	1	00					
				124				124	40

J. PARK & SON.

1891					1891				
July 20	To Butter Account	4	867	00	May 10	By Butter Account	4	113	00
Aug. 2	" " "	4	1080	00	July 25	" Sundries	4	754	00
" 31	" " "	4	1017	00	Aug. 12	" Cash	2	1080	00
Oct. 5	" " "	5	1092	00	Sep. 10	" Sundries	4	1017	00
Nov. 5	" " "	6	720	00	Oct. 20	" "	5	1092	00
" 25	" " "	6	750	00	Nov. 8	" "	6	720	00
				5526	" 26	" "	6	750	00
				00				5526	00

SALARIES AND DIRECTORS' FEES.

1891					1891				
May 10	To Merchants Bank	3	22	20	Dec. 1	By Loss and Gain	8	422	20
Oct. 31	" " "	5	200	00					
Nov. 26	" Cash	3	200	00					
				422				422	20

BUTTER ACCOUNT.

1891					1891				
May 20	To M. & J. Wallace	4	130	00	July 1	By Cash	2	50	75
" 20	" J. Park & Son	4	113	00	" 20	" J. Park & Son	4	867	00
" 30	" Cash	1	35	00	" 31	" Cash	2	65	63
June 30	" "	1	608	75	Aug. 2	" J. Park & Son	4	1080	00
July 25	" "	2	50	00	" 31	" " "	4	1017	00
" 30	" "	2	765	00	Sep. 1	" Cash	2	59	07
Aug. 31	" "	2	695	00	Oct. 1	" "	2	51	88
Sep. 30	" "	2	656	25	" 5	" J. Park & Son	5	1092	00
Oct. 31	" "	2	620	00	Nov. 2	" Cash	3	55	13
" 31	" "	2	190	00	" 5	" "	3	80	00
" 31	" M. & J. Wallace	5	50	00	" 5	" J. Park & Son	6	720	00
Nov. 26	" Cash	3	460	00	" 25	" " "	6	750	00
" 26	" Loss and Gain	8	1773	28	" 26	" Cash	3	38	22
				5926				5926	68

DR.			MERCHANTS BANK.			CR.		
1891				1891				
Mar. 24	To Cash	1	300 00	Mar. 24	By Real Estate	2	200 00	
May 1	" "	1	1200 00	" 24	" Expense	2	40 00	
" 26	" "	1	700 00	May 10	" "	3	78 90	
July 25	" J. Park & Son	4	753 00	" 10	" Salaries and Fees	3	22 20	
Aug. 12	" Cash	2	1145 63	" 10	" Real Estate		500 00	
Sep. 10	" J. Park & Son		1015 75	" 20	" Plant		600 00	
Oct. 5	" " "		1090 75	June 30	" Cash	1	608 75	
Nov. 2	" Cash	3	55 13	July 30	" "	2	765 00	
" 8	" J. Park & Son	6	719 00	Aug. 13	" Bills Payable	4	400 00	
" 8	" Cash	3	80 00	" 31	" Cash	2	692 00	
" 26	" J. Park & Son	6	749 00	Sep. 30	" "	2	656 25	
Dec. 1	" Cash		456 52	Oct. 30	" "	2	620 00	
				" 31	" M. & J. Wallace	5	130 00	
				" 31	" Salaries, Fees, &c.	5	200 00	
				Nov. 23	" Bills Payable	6	1000 00	
				" 26	" M. & J. Wallace	6	50 00	
				" 26	" Cash	3	475 00	
				Dec. 1	" Bonus Account	8	250 00	
				" 1	" Balance		476 68	
			8264 78				8264 78	
Dec. 2	Balance		476 68					

### BONUS ACCOUNT.

1891				1891				
Dec. 1	To Bank	7	750 00	Dec. 1	By Loss and Gain	8	750 00	

### DIVIDEND ACCOUNT.

1891				1891				
Dec. 1	To Cash	3	300 00	Dec. 1	By Loss and Gain	8	300 00	

### RESERVE ACCOUNT.

1891				1891				
Dec. 1	To Balance	8	76 68	Dec. 1	By Loss and Gain	8	76 68	
				Dec. 1	By Balance		76 68	

### LOSS AND GAIN.

1891				1891				
Dec. 1	To Sundries	8	646 60	Nov. 30	By Butter Account	8	1773 28	
" 7	" "	8	1050 00		"			
	" Reserve Account	8	76 68					
			1773 28				1773 28	



# The Dividend Book.

SPRINGVALE CREAMERY COMPANY, LIMITED,

*DIVIDEND BOOK for Dividend No. 1, at 10 per cent, on the paid up capital, declared by the Directors, November 30, 1891.*

Ledg'r Folio.	Name	Post Office	Subscribed Stock	Paid up Stock	Dividend No. 1, 10 Per cent	When Paid	Signature
101	J. S. Howes	"	500 00	500 00	50 00	N <sup>v</sup> . 30'91	<i>J. S. Howes</i>
101	Jno. McMillan	"	500 00	500 00	50 00	"	<i>J. McMillan</i>
101	W. A. McKay	"	500 00	500 00	50 00	"	<i>W. A. McKay</i>
102	C. A. Madden	"	300 00	300 00	30 00	"	<i>C. A. Madden</i>
100	H. White	"	300 00	300 00	30 00	"	<i>H. White</i>
102	W. Messenger	"	300 00	300 00	30 00	"	<i>W. Messenger</i>
101	L. P. Voison	"	300 00	300 00	30 00	"	<i>L. P. Voison</i>
101	F. C. McDowal	"	300 00	300 00	30 00	"	<i>F. McDowal</i>
			3000 00	3000 00	300 00		

The Dividend Book in a small Company is necessarily but part of a page, as only a few persons are interested financially in it. When the Company is an extensive one with many shareholders it is a great saving of time and labor.

Instead of making an entry in the Cash Book for each separate payment of dividend, we simply make one entry for all of them if there were a thousand. The sum total of the dividend column only is entered, the same as the sum total of a pay sheet is entered when a number of men are paid off.

We have seen in a Company of five hundred shareholders a dividend credited to each of their five hundred Stock Accounts, by a Journal Entry, Shareholders, Dr.

To Dividend No.

then the shareholders were charged with the cash in the Cash Book as it was paid. The items afterwards were duly posted to the Dr. and Cr. of each Shareholder's accounts. The extra entries in this case were simply one thousand entries in journal and cash book, and another thousand in the ledger when posted, enough extra, unnecessary work we presume to keep the book-keeper going for a week. After all was done the shareholders' Stock Accounts were mystified rather than made plain by the transactions. The method indicated by the Dividend Book is a great saving in a large Company. On another page where Stock Ledgers are discussed, will be found a combined Stock Ledger and Dividend Book that the author planned some years ago for an extensive manufacturing company. This shortens the work considerably.

## The Book-keeper's Balance Sheet.

The subjoined form is the kind of Balance Sheet usually taken off by the book-keeper for his own use. It would be of no value to the average shareholder as it would be quite unintelligible to him. It is however the basis of the statements of Resources and Liabilities and Losses and Gains, for publication, that follows it. When this Balance Sheet is correctly drawn off, all that is necessary in order to produce those that come after it is to make an analysis of butter account to get at the cost of various parts, the cream, the work, &c., and a division of the product of the factory into tub, roll, &c. and buttermilk, then explain your result in words. The book-keeper would close his accounts according to this sheet.

### *Springvale Creamery Company, Limited.*

#### BOOK-KEEPER'S BALANCE SHEET, TAKEN DECEMBER 1, 1891.

Ledg'r Folio.	Names	Dr.	Cr.	Resources.	Liabilities.	Losses.	Gains.
1	Capital Stock		3000 00				
1	Real Estate	1100 00		1100 00			
5	Plant Account	1600 00		1500 00		100 00	
4	Merchants Bank	8264 78	7788 10	476 68			
1	Expense	124 40				124 40	
1	Salaries, Directors' Fees	422 20				422 20	
7	Butter Account	4153 40	5926 68				1773 28
7	Bonus Account	750 00				750 00	
6	Dividend No. 1	300 00				300 00	
		16714 78	16714 78	3076 68		1606 60	1773 28

#### SUMMARY.

Total Profits	1773 28	Total Resources	3076 68
Expenses, Bonus & Dividend	1696 60	Liabilities	3000 00
Balance to be carried to Reserve	76 68	Net Resources	3076 68
		MAKING UP	
		Paid up Capital	3000 00
		Reserve Fund	76 68
			3076 68

## Balance Sheets and Statements.

It is customary for Companies to make Statements of the business and standing of the Company once each year. Such statements may be made half-yearly or oftener if desirable. These statements should show the present standing of the Company in a statement of Assets and Liabilities and the success that has fallen to the lot of the Company on the transactions of the year; this is shown by a statement of Losses and Gains. These statements should be explained clearly by using sufficient words in connection with each item, so the ordinary shareholder who is uninitiated in the "mysteries of Double Entry Book-keeping" may be able to understand exactly the profits made and the present worth of his shares. Obscurity of statement will create distrust, therefore great care should be exercised in their preparation.

Sometimes a statement of cash receipts and payments is asked for in Stock Company work, but not often, as such a statement belongs particularly to corporations of public character, such as towns, townships, &c., and for such corporations as Mutual Insurance Companies that are carried on to give members their insurance at cost price and not for the purpose of trading and making profits,

All such Corporations as, school sections, hospitals, trusts, benevolent societies and all corporations that have to do with public charities and schemes for public benefit like Agricultural, Horticultural, Apicultural Societies and Associations, Mechanics Institutes, &c., not being trading corporations for the purpose of making profit, publish only the Statement of Resources and Liabilities, and Receipts and Expenditures of cash.

The financial statements are usually prepared by the Secretary or Accountant of the company and the books closed, then the auditors verify the statements from the books and sign them. As there are chapters to follow, on balance sheets, statements, auditing, &c., we will leave the further discussion of these matters to be taken up in them.

### Statements for Shareholders and General Public.—

#### SPRINGVALE CREAMERY COMPANY, LIMITED.

*Statement of Assets and Liabilities, taken December 1, 1891.*

ASSETS.			LIABILITIES.		
Real Estate....	.....	1100 00	Paid up capital ..	....	3000 00
Plant Account .....	1600 00		Reserve Fund..	....	76 68
Less written off for wear					
and tear..	....	100 00			
		1500 00			
Cash on deposit in Merchants Bank		476 68			
		3076 68			3076 68

We certify that we have examined the books, vouchers, bank books, &c., of the Springvale Creamery Company Limited, and that the foregoing is a correct abstract of the assets and proprietary liabilities at December 1st. 1891.

Owen Sound, Dec. 1, 1891,

A. GIFFORD } AUDITORS.  
C. K. GRIGG }







*C. A. MADDEN.*

1891

1891

[illegible]

*H. WHITE.*

1891

1891

					Nov. 30	By Paid up Capital	8	300 <sup>00</sup>	.
--	--	--	--	--	---------	--------------------	---	-------------------	---

*L. P. VOISON.*

1891

1891

[illegible]

*F. C. McDOWALL.*

1891

1891

[illegible]

## The Government Report.

When a charter is granted by a government giving a company a corporate existence the government reserves the right to demand annually a report of its affairs. In case of banks a monthly report is required of circulation, notes held, etc. Insurance Companies are required to report annually their financial condition by a report on a form prepared by the department having control, duly verified by affidavit of the officers. In a Mercantile or Manufacturing Company a very simple report is required by the Ontario Government : See Sec. 57 of the Ontario Act, pages 36, 37 and 38 of this work.

The annexed summary gives the particulars required in sub-section 2 of 57, and the following list of shareholders complies with sub-sections 4, 5 and 6.

### List of Shareholders.

#### SPRINGVALE CREAMERY COMPANY, LIMITED.

List in duplicate of all persons who on the 31st day of December, 1891, were shareholders in the Springvale Creamery Company of Owen Sound, as required by Sec. 57, Cap. 157, R. S. O.

Names of Shareholders alphabetically arranged.	Address.	Calling.	Amount of Stock subscribed.	Amount unpaid on stock.
Howes, John S.	Owen Sound.	Gentleman.	500 00	Nothing.
Madden, C. A.	"	Accountant.	300 00	"
McDowall, F. C.	"	Farmer.	300 00	"
McMillan, John	"	Mariner,	500 00	"
McKay, W. A.	"	Merchant.	500 00	"
Messenger, Wm.	"	Farmer.	300 00	"
Voison, L. P.	"	Farmer.	300 00	"
White, Harry	"	Manufacturer.	300 00	"
			3000 00	

### Affidavit Verifying Government Report.

The following is the form of affidavit for verifying the list of shareholders, and summary attached, as required by Sec. 57 of the Statute before cited :—

Province of Ontario. } In the matter of the Annual Report of the Springvale  
County of Grey. } Creamery Company, Limited.  
TO WIT : } We, Harry White, President, and Charles Augustus Madden, Accountant, of the above named Company, each for himself, and speaking from his own knowledge, doth make oath and say, That the annexed list of shareholders, and summary of the affairs of the Springvale Creamery Company, Limited, are, to the best of our information, knowledge and belief, true and correct in every particular.

Sworn before me at Owen Sound,  
in the County of Grey,  
this tenth day of January, 1892.

H. WHITE.  
C. A. MADDEN.

W. J. GRAY, a Commissioner, &c.

# SUMMARY

Of the State of Affairs of the Springdale Creamery Company, Limited, of Owen Sound, on the 31st day of December, 1891, as required by Sec. 49, Cap. 150, Revised Statutes of Ontario.

Name of the Directors, Secretary and Treasurer of the Company.	Owen Sound	Residence	Post-Office Address.	The amount of the C	Stock of the Company.	Number of Shares into which it is divided.	The number of Shares taken from the commencement of the Company up to 31st December, preceding the date of this summary.	The amount of Stock (if any) issued free from call; if none is so issued, state the fact.	3000 00	The Amount issued Subject to Call.	100 00	The Amount of Calls made on each Share.	3000 00	The total Amount of Calls received.	None	The total Amount of Calls unpaid.	None	The total Amount of shares forfeited.	2000 00	The total Amount of shares which have never been allotted or taken up.	The total Amount for which Shareholders of the Company are liable in respect of the unpaid Stock held by them.	Such further Information in a concise form respecting the affairs of the Company as the Directors may consider expedient.
H. White C. A. Madden L. S. Howes L. P. Voison W. A. McKay	Owen Sound	" "	" "	Owen Sound	5000 00	50	30	None	3000 00	3000 00	100 00	3000 00	3000 00	None	None	2000 00	None	None	2000 00	Nothing	Nothing	Nothing

A copy of the summary and the alphabetical list of shareholders must be sent to the Provincial Secretary, not later than the end of January for the year previous, and verified by affidavit, and another copy of the list of shareholders and summary must be kept posted up in the Head Office of the Company, during the year and until the next Annual Government Report takes its place. The Joint Stock Companies Letters Patent Act thus provides an easy and reasonable way for creditors of any company to find out who are the shareholders of a company and how much was due from them on account of unpaid stock at the beginning of each year. This statement verified by the affidavit of the principal officer is always available on account of being posted up at the Head Office and will be taken as *prima facie* evidence of such liability. Should the officers destroy this last or put it out of the way they are liable to a fine, and such hiding would only serve for a day or two as a copy can be had from the Provincial Secretary's office at any time it is required by any creditor.



## Directions to the Student

FOR KEEPING THE BOOKS OF THE SPRINGVALE CREAMERY COMPANY, LIMITED, FOR THE SECOND SEASON, BEING THE YEAR 1892.

The student will do well to familiarize himself with the transactions of the first year's business before beginning work on the second year, so that he may be able to carry on the work of this year. The best way to do this is to write up the first year's business in your books.

A second factory is purchased, and both are run for the season. A separate account is to be kept with each factory so as to find the profit made by each for the year. Separate accounts will be kept also with the Real Estate and Plant of each factory.

In beginning the work of the second season, if you have not already done the work of the first season, and thus have the accounts with balances brought down ready to begin with, you must open accounts in your ledger for the Resources and Liabilities, and enter up the Resources to the Dr. side, and the Liabilities to the Cr. side of the accounts. The Resources are : Springvale Real Estate Account, \$1100 ; Springvale Plant Account, \$1500 ; Merchants Bank balance, \$476.68 ; Liabilities : Capital Stock, \$3000 ; Reserve Fund, \$76.68. You will open up a separate Stock Ledger, and debit Paid Up Capital Account, and credit the individual shareholders with their paid up capital, as per entry at the top of page 61—also see Stock Ledger, pages 109 and 110. You will draw up the Stock Book as on page 68, leaving sufficient room for additional subscriptions for the new stock that is to be issued. You will likewise prepare a Share Register, as per page 73. Enter up the shares already there and keep sufficient room for twenty more shares to be taken up at an early date. You should now take a trial balance of both General and Stock Ledgers, to prove that they are in balance, before beginning the following transactions.

You will be careful to avoid posting any ordinary transactions to the shareholders' Capital Accounts. If you have any business transactions with the shareholders, open private accounts with them. No other business, not even the payment of a dividend, should be mixed up with the account with the shares of stock and payments thereon.

You will enter up in your Minute Book the minutes of the annual general meeting, and all meetings of the Board of Directors. They will meet at least once each month while the factory is running. They must sanction all payments by resolution. Notice particularly how this is done in the Minute Book, pages 77-80. Keep your Minute Book entered up every month as you do your work in the Journal, etc.—do not leave it behind. Balance your Cash Book every month, and post all transactions as you go along, if possible—do not post less frequently than once a month. Take a trial balance at the end of every month—make it in the form of a continued trial balance to save writing down names frequently.

## Memoranda of Transactions.

Jan. 10, '92. At the Annual General Meeting at the Company's office, the following persons were elected Directors : H. White, J. S. Howes, W. A. McKay, C. A. Madden, L. P. Voison and F. C. McDowall.

The Auditors' report was adopted and ordered to be engrossed in the minutes.

Jan. 10           At the Board Meeting which followed, H. White was re-elected *President* ; W. A. McKay, *Vice President* ; and C. A. Madden, *Secretary*.

The accounts of the Auditors, A. Gifford \$5, and C. K. Grigg \$5, were passed and ordered to be paid by cheque.

NOTE. Debit expense for the Auditors' Fees.

March 20.       A meeting of the Directors was held at the Company's office, and the offer of Peter Torrance was considered. He offered his factory and plant complete, being a building 30 x 40, and two stories high, with complete apparatus for carrying on the manufacture of Butter, and is run by water power. The factory is situate on one acre of ground which forms a part of lot No. 12 in the 2nd concession of the township of Derby, and known as Coldstream Creamery, at \$1200, payable \$200 cash, \$600 in paid up stock of the Company, and the Company to assume payment of a mortgage of \$400 due S. J. Parker, Oct. 1st next, with interest at 7 per cent. from April 1st next.

The offer was accepted, at a valuation of \$650 for Real Estate, and \$550 for plant. Cheque on bank given for the \$200.

NOTE. Debit Coldstream Real Estate for \$650, and Coldstream Plant Account \$550. Write out application for shares and notice of allotment, as per page 83, for each of the shareholders for stock taken in the following transaction :—

The \$2000 of stock in the Company heretofore in reserve, was offered and taken as follows : Peter Torrance \$600, which was fully paid up in his deal with the Company, J. S. Howes \$200, John McMillan \$100, W. A. McKay \$300, F. C. McDowall \$200, C. A. Madden \$300, H. White \$100, W. Messenger \$200. The stock was subscribed for and allotted, payable as follows : 25 per cent. at time of subscription, 25 per cent. on July 1st, the remainder at the call of the Directors. The first call was paid in, in cash. It was also decided to remove part of the Springvale Plant, as per schedule amounting to \$150 not required, to the Coldstream Factory, to make a more complete outfit there.

NOTE. Debit Coldstream Plant Account \$150, and credit Springvale Plant Account \$150. Make an entry crediting the shareholders and debiting paid up stock in the Stock Ledger for all payments on stock in addition to the ordinary entries in the Journal and Cash Book, charging the shareholders with the capital subscribed and crediting them with payments thereon in the General Ledger.

May 1.           At a meeting of the Board of Directors held at the Company's office H. Agnew was engaged as buttermaker for Springvale Factory, and P. Torrance for Coldstream Factory, at \$40 per month each. W. J. Patterson agreed to gather the cream for both at  $\frac{3}{4}$ -cent per inch, and the buttermilk of Springvale Factory was sold to F. Barber for the season at  $1\frac{3}{4}$  cents per gallon, and that of Coldstream Factory to J. P. Redfern at  $1\frac{1}{2}$  cents per gallon at the factory, payable monthly. The Secretary to be paid \$50 per month for conducting the business while the factory is in operation.

NOTE TO STUDENT. Keep a Butter Account, a Plant Account, and a Real Estate Account with each factory, so that at the end of the season it can be ascertained what profit or loss is made at each factory.

May 10. Received invoice of supplies from M. & J. Wallace, Toronto, \$300, payable in 60 days.

Received invoice from J. Park & Son for wrappers, \$120, payable in 30 days.

Paid freight by cheque \$8.40.

NOTE. Charge half of each of above items to each factory's Butter Account.

Bought of George Partram 25 cords of wood for Springvale Factory at \$2.50 per cord, and paid for same by cheque.

" 12. Factories began operations.

" 26. Shipped to J. Park & Son, Toronto, 1250 lbs. Roll Butter from Springvale and 1080 lbs. from Coldstream at 22 cents.

NOTE. In all sales of butter, credit the Butter Account of each factory with the amount of its own part of the sale.

" 29. Received cheque from J. Park & Son, for amount of shipment of 26th inst.

" 30. Withdrew from bank \$120.

" 31. The Board of Directors met and passed the accounts for the month, also the following accounts—they were paid in cash :—

Springvale—Patrons, \$322.80 ; Gathering Cream, \$12.20 ; Wages, \$24.00.

Coldstream—Patrons, \$276.40 ; Gathering Cream, \$10.60 ; Wages, \$24.00.

NOTE. Charge the Butter Account in each factory with the respective amounts paid on its account, as above ; and in all subsequent transactions of the same kind. You will rule up and make out a Cream Register for each factory similar to that on page 85, for the month of May. They should correspond in amount with the above entry.

June 1. Received from F. Barber his cheque for 844 gals. of buttermilk at  $1\frac{3}{4}$  c. per gal., also from J. P. Redfern cheque for 760 gals. at  $1\frac{1}{2}$  cents per gal.

NOTE. Credit the Butter Accounts of the respective factories with the amounts received for its output of buttermilk in this and all subsequent cases.

" 9. Remitted to J. Park & Son cash for invoice of 9th ult., \$120.

" 25. Shipped to J. Park & Son, from Coldstream Factory, 1460 lbs. Roll Butter at 24 cents; and 970 lbs. Tub Butter at 20 cents, also from Springvale Factory 1270 lbs. butter in rolls and 918 lbs. in tubs at same price.

" 28. Received from J. Park & Son, cash for shipment of 25th inst., \$1032.80.

" 30. Directors met and ordered the following amounts to be paid in cash :—  
Springvale—Patrons, \$415.28 ; Wages, \$40.00 ; Gathering Cream, \$21.55.  
Coldstream—Patrons, \$481.92 ; Wages, \$40.00 ; Gathering Cream, \$23.12.

July 2. Received cheque from F. Barber for 1408 gallons of buttermilk at  $1\frac{3}{4}$  c. per gallon, also from J. P. Redfern cheque for 1540 gallons at  $1\frac{1}{2}$  cents.

Deposited cheques in bank together with cash \$202.80.

The second call of 25 % on the stock was paid in cash, and amount deposited in the bank.

NOTE. The student will make out an instalment list for this second call payable to-day. In addition to the entry in the General Ledger, put these amounts in the Stock Ledger by entry "Paid up stock to the shareholders."



- July 8. Drew cheque on bank and remitted it to M. & J. Wallace for invoice of May 9th.
- " 23. Shipped J. Park & Son, from Springvale, 1780 lbs. Roll Butter at 25 cts., and 1250 lbs. Tub Butter at 21 cents; also from Coldstream, 1890 lbs. Roll Butter and 1316 lbs. Tub Butter at same price.
- " 26. Received from J. Park & Son cash for shipment of 23rd inst., \$1456.36.
- " 31. Directors met and ordered the following amounts to be paid in cash :—  
Springvale—Patrons, \$482.60; Wages, \$40.00; Gathering Cream, \$22.14.  
Coldstream—Patrons, \$460.35; Wages, \$40.00; Gathering Cream, \$23.19.  
Deposited in Bank \$400.
- Aug. 1. Received cash from F. Barber for 1618 gallons of buttermilk at  $1\frac{3}{4}$  cts., also from J. P. Redfern cash for 1692 gallons at  $1\frac{1}{2}$  cents per gallon.
- " 25. Shipped J. Park & Son 2280 lbs. butter in rolls at 25 cents per lb. and 1860 lbs. butter in tubs from Springvale at 19 cents; also 2192 lbs. butter in rolls and 1932 lbs. butter in tubs from Coldstream at same prices.
- " 28. Received from J. Park & Son cheque for shipment of 25th inst., \$1838.48.
- " 30. Directors met and ordered the following amounts to be paid in cash :—  
Springvale—Patrons, \$460.65; Wages, \$40.00; Gathering Cream, \$20.62.  
Coldstream—Patrons, \$421.73; Wages, \$40.00; Gathering Cream, \$20.00.
- " 31. Deposited in bank \$875.
- Sep. 1. Received cash from F. Barber for 1580 gallons of buttermilk at  $1\frac{3}{4}$  cts. per gal., also from J. P. Redfern cash for 1740 gallons at  $1\frac{1}{2}$  cents.
- " 2. Deposited in bank \$50.
- " 26. Shipped J. Park & Son, per C. P. R., from Springvale, 2768 lbs. Roll Butter at 27 cents, and 1940 lbs. Tub Butter at 20 cents, also from Coldstream 2440 lbs. Roll Butter and 2160 lbs. Tub Butter at same price.
- " 29. Received from J. Park & Son cash for shipment of 26th inst.
- " 30. The Directors met and ordered the payment of the following :—Mortgage and interest in favor of S. J. Parker by cheque, the others paid in cash :—  
Springvale—Patrons, \$421.62; Wages, \$40.00; Gathering Cream, \$20.22.  
Coldstream—Patrons, \$401.98; Wages, \$40.00; Gathering Cream, \$18.91.  
Deposited in bank \$868.63.
- Oct. 1. Received cash from F. Barber for 2104 gals. buttermilk at  $1\frac{3}{4}$  cents, also from J. P. Redfern cash for 2292 gallons at  $1\frac{1}{2}$  cents per gallon.
- " 28. Shipped J. Park & Son 2881 lbs. butter in rolls at 28 cents and 3280 lbs. butter in tubs at 22 cents from Springvale, also from Coldstream 2550 lbs. in rolls and 3560 lbs. in tubs at same price.  
Received from J. Park & Son draft on Merchants Bank for shipment of 28th inst.
- " 31. Directors met and ordered the following accounts to be paid in cash :—  
Springvale—Patrons, \$602.18; Wages, \$40.00; Gathering Cream, \$24.68.  
Coldstream—Patrons, \$584.12; Wages, \$40.00; Gathering Cream, \$18.95.  
Received from F. Barber cash for 1685 gallons of buttermilk at  $1\frac{3}{4}$  cts. also from J. P. Redfern for 1622 gallons at  $1\frac{1}{2}$  cents.



Oct. 31

Paid C. A. Madden's salary for  $6\frac{1}{2}$  months at \$50 per month, by cheque.  
Deposited in bank cash on hand.

Paid each of the Directors (except the Secretary,) by cheque on bank,  
their fees of \$20 each, for the season.

NOTE. Charge Salary and Directors' Fees Account with the Secretary's Salary  
and the Directors Fees, as in the former year. They do not belong to one factory, but  
to the general expense of the Company.

Factories closed for the season.

Write off for depreciation of plant from Coldstream Plant Account, \$70 ;  
from Springvale Plant Account, \$100. Estimate the Real Estate of both fac-  
tories at its value according to the account. Take off a preliminary balance  
sheet to estimate the profits ; you will find them \$3272.55. Submit the  
same to the Board of Directors for consideration. You will now proceed to  
pay a dividend of 25 % on the paid up capital amounting to \$1075 by cheques  
on Merchants Bank, and carry the balance \$2197.55 of profits to Reserve  
Fund Account, as per resolution of the Board of Directors. Close your  
books and make out statement of losses and gains, and resources and liabil-  
ities, similar to those on pages 107-108, having them duly certified to by the  
Auditors, and you are ready for the next Annual General Meeting of the share-  
holders, at which the reports will be presented, and officers elected for the  
ensuing year.

## NOTES.

In preparing the statement of losses and gains for the shareholders, be careful to  
show the net gain on each factory's operations during the year exclusive of general expen-  
ses such as secretary's salary, directors' fees and depreciation of plant. Analyze the make  
of butter carefully. Write up a report of the secretary relative to the business, give the  
result of observations.

- (1) As to the patrons, and the cream supplied by them.
- (2) As to gathering and delivery of the cream.
- (3) As to the manufacture of the butter.
- (4) As to the marketing of the butter, etc.
- (5) As to the relative merits, cost, etc., of the steam power and water power  
factories.
- (6) Give suggestions as to the business methods you would advise for the  
next season.

The secretary can easily give a bird's eye view of the entire business, every detail of  
which he is familiar with, and thus fully inform the shareholders of the past experience of  
the company and forecast the future for them. Such a report should be made to share-  
holders at each annual meeting of the company. In some companies the secretary  
presents a report and the directors present one as well. This is almost always the case  
where the secretary is not a director.

In close connection with the creamery business is the cheese factory business and the above is a form suitable for keeping a record of the milk supplied twice each day by each patron. We give just five names and the totals at the bottom for each time the milk is gathered. Underneath is the daily number of cheeses made and their total weight. At the right side is the total column for the quantity supplied by each patron, for the week. This may be transferred weekly to the patron's account in the Ledger or this form may be extended for two or four weeks according to the times at which the patrons are paid. With one writing of the names if the columns are extended far enough, four weeks may be summed up and the patron's receipt taken on the book the same as on the Cream Register on page 85. There will be little trouble in adapting this form to the books of any factory. As the milk is weighed when it arrives at the factory this is the first book into which it will be entered, unlike the cream that was measured at the patron's residence and entered into a book carried by the man who gathers it.

In many places where cheese and butter factories are established, there is much divergence of opinion as to the modes of sharing of the profits. Wet Stock is that held by a patron who furnishes milk or cream for manufacture. Dry Stock is that held by a person who simply furnished capital for erection of buildings, &c., and supplies no milk or cream. He does it as an investment. These factories are usually formed among the farmers themselves, and are usually looked upon by them co-operative concerns, and the amount paid in on stock for the erection and equipment of the

factory is by some considered a sort of "donation for benevolent purposes." In some factories they adopt the principle of dividing the profits wholly on the stock—this is to a certain extent unfair to the patron, as his milk or cream is necessary to produce profit. In other sections of country they divide profits according to the quantity of milk or cream furnished, and leave the Dry Stock out; a proceeding evidently unfair to the persons who furnished the capital. Inasmuch as the shareholder is necessary to the patron in these semi co-operative concerns in order to make any profits; and inasmuch as they are really mutually dependent, a division of profits may very well be made to both—1st a dividend equal to good interest to be paid on stock (capital,) and the remaining profits to be divided among patrons according to the quantity of cream or milk supplied. It may be argued that this gives the Wet Stockholder two dividends. He has a right to them in his double capacity of capitalist and patron.

The agitation against the "dry" is to a certain extent a process of freezing out of the capitalist by giving him no profits on his investment.

In semi-co-operative factories the practice is to pay out certain rate per inch of cream or gallons of milk each month for all that has been delivered during that month retaining from half a cent to one and a half cents per inch or gallon after paying cost of manufacture until the end of the season, so as to have something on hand in case of any loss being made. At the end of the season the fair way would be to pay a six, seven, eight or ten per cent dividend to the shareholders and divide the remaining profits among the patrons according to the quantity of cream or milk supplied.

Suppose the total milk manufactured were 76584 gallons, and that there remained \$574.38 after paying all working expenses, salaries and dividend on stock. We find by division that this is just  $\frac{3}{4}$  of a cent per gallon on the total amount supplied, hence the patron's total gallons for the year, multiplied by  $\frac{3}{4}$  of a cent would give the balance due him.

In many factories built and run on the semi-co-operative plan the patrons are setting aside a small fraction of the profits of each year and with this fund gradually buying up the stock, when all the stock has been purchased and the property is deeded in trust. They are run afterwards entirely on the co-operative plan.

The above discussions and processes are only heard of where factories are built by farmers among themselves and where a butter maker or cheese maker is paid by the month or by the pound of the commodity manufactured. When such factories are formed the stock is spread as widely as possible so as to increase the influence and patronage of the farmers in the community. In all such cases a proper sum should be set aside each year for the renewal of the plant and appliances, when they wear out.

There are many cases where stock company factories are formed, as in the foregoing creamery example and who purchase the cream or milk from the patrons at a fixed price and run all the risk of profit or loss, there is no such thing as "wet" and "dry" stock in such factories.



## Books Suitable for Businesses Where Large Numbers of Men are Employed.

We have taken as a sample case the Canada Stone Company, Limited, to show special books for keeping account of men's time who are employed on any kind of work or in any large shop. We need not mention many of the businesses where such forms will be applicable—only a few, such as railway contracting, lumbering, building generally, and house contracting, steam-boating, &c. We have five foremen employed on five different works in the following business, and the books are so arranged that each piece or kind of work shows its own profit or loss as the case may be. We give examples changing material, labor, &c., from one contract to another, &c.; when taken from one to the other, also where material, etc., furnished for a contract and charged to it, was afterwards reported by foreman as belonging to plant of the firm. The cross entry is made correcting it. We introduce special books, such as the Weekly Pocket Time-Book kept by the foreman on work, and returned weekly to head office. The office time-book, into which all the time is copied from the several small time-books as they are returned, and where the workmen's accounts are made out. The pay-sheet, that is a summary of the time-book, and from which the paymaster pays, and on which he takes the signature of the workmen as a receipt for the money. The details of the Contract Book, which keeps an analysis of the cost of the various departments of work instead of keeping separate accounts for each kind in the ledger; the special form of cash-book, etc.

We have recorded the transactions fully, and inserted explanatory notes of direction to the learner wherever we have thought desirable, reminding of the routine of Joint Stock Company work. The business from the beginning down to May 13th are regular transactions based on real transactions. In the work following it will be noticed that in dates we have skipped from May to November, and that the amounts are large. The remaining six months' business is added together and given in about the length of one month, as we believe the same end will be served as if we had repeated monthly such transactions as are here given. Our totals give the six transactions collected in such a way as to shorten the work and give natural results of the season's work.

The student is recommended to read the transactions over carefully, first to get an idea of the nature of the business, and then examine the various books, the forms which are presented after the memoranda of transactions, and learn their uses. Special attention is drawn to the form of Cash-Book and Bank Account combined, which is here presented. It is very convenient, and adapted especially to company work where all payments are made by cheque. The Journal and Ledger are similar to those the student is already accustomed to, and need no special reference in this connection. For all special forms of books here presented, it will pay for the student to have a book of plain, faint, ruled foolscap, in which he can rule up all his forms to suit himself. All such books would have to be specially ruled for any company wishing to use them. Do not think that you can recollect all about them by simply looking at them—rule them up and use them. To actually work the entire set out is the only thing that will be of real, lasting benefit to the student of such work.



## Memoranda of Transactions of the Canada Stone Co. Ltd.

*Authorized Capital \$50000 consisting of 500 shares of \$100 each.  
Incorporated June 8th, 1892.*

Jan. 10, '92. Application was this day made by Harry White, Thomas Brett, William Morrison, William James Gray, James Reith, John Samuel Howes, Fred McDowall and Samuel John Somerville, to the Secretary of State of the Dominion of Canada at Ottawa, for Letters Patent incorporating them and their successors, and all who should become associated with them, under the corporate name of the Canada Stone Company, Limited. Authorized capital \$50000, divided into 500 shares of \$100 each. The petition was duly signed by the above named persons, who asked in the petition that the following be provisional officers: H. White, *President*; James Reith, *Vice President*; J. S. Howes, *Sec.-Treasurer*; James Masson, *Solicitor*; and Thos. Brett, Fred McDowall, and W. J. Gray, *Directors*. Head Office at Owen Sound.

The Stock Book was opened, and the following amounts duly subscribed for—Josiah Tolton acting as witness: H. White \$10000, Thos. Brett \$8000, Wm. Morrison \$5000, W. J. Gray \$5000, James Reith \$7000, J. S. Howes \$5000, F. McDowall \$5000, S. J. Somerville \$5000, payable 50 % on or before Feb. 25th next, the balance when called for by the Directors.

NOTE. The student will write out a prospectus, an application to the Secretary of State for Charter, with all the requisite affidavits of verification, and a Stock Book duly signed and sealed. Josiah Tolton of Owen Sound, accountant, will be witness in all cases where a witness is required. Write out the advertisement for the *Hansard*, Date it Dec. 5th, 1891, signed by James Masson, solicitor. Write up Minute Book.

Feb. 5. The Charter was duly received, and a general meeting of the shareholders was held at the office of J. S. Howes, and the persons named in the application and in the Letters Patent as provisional officers were elected Directors, and at the meeting of the Board of Directors that immediately followed, the provisional President, &c., were duly elected for one year, and the stock allotted that was subscribed,

NOTE. The student will write out (1) Notice of meeting signed by the President calling the above general meeting. (2) The advertisement of meeting for local paper. (3) Write up the Minute Book for both meetings, and for all subsequent meetings without being further reminded. (4) Write up a set of by-laws for the government of the Company, and have them approved by the general meeting, and write out Share Register. (5) Write notice of first call of 50 % payable on or before, 25th inst., such as would be sent to all shareholders.

H. White conveys to the Company as part payment on his stock, the Gray Quarry, situate in Owen Sound, being park lot No. 9, on the 3rd range west of river, containing twenty acres, by Warranty Deed, value \$2000, also quarrying and contracting plant per Bill of Sale, valued at \$6000,

Thos. Brett conveys to the Company as part payment of his stock, the Sandstone Quarry containing fifteen acres and approaches, being a part of lot No. 4, on the 5th concession of the township of Mono, value \$1500, by Warranty Deed, also plant for quarrying, &c. per Bill of Sale, \$1800,

Feb. 5 James Reith conveys to the Company as part payment on his stock, by deed duly executed, the Red Stone Quarry of eighteen acres, being part of lot No. 7, on the 6th concession of the township of Caledon, value \$4000. This is subject to a mortgage of \$2000 made in favor of W. J. Gray, also quarrying and contracting plant as per Bill of Sale, \$2000.

W. J. Gray pays the Company his certified cheque for \$3000 and discharges the mortgage held by him against the Red Stone Quarry for \$2000 in full payment of his stock.

NOTE. Charge all quarries to Real Estate, and all plant to one general Plant Account.

" 25. Received from subscribers their first call of 50 % as follows, per their certified cheques : J. S. Howes \$2500, Fred McDowall \$2500, S. J. Somerville \$2500, Wm. Morrison \$2500.

" 28. Opened an account with the branch of Molsons Bank at Owen Sound, and deposited to the Company's credit all the cash on hand.

NOTE. All money should be deposited in the bank, and all payments to be made by cheque. Note the mode for keeping the Cash Book containing both Cash and Bank Accounts.

Mar. 1. Paid James Masson's sight draft for expenses connected with the charter, by cheque No. 1, \$320.

Paid invoice of Warwick & Sons for books, stationery, etc., by cheque No. 2, \$136.20.

Deposited with the Canada Pacific Railway Company, cheque No. 3, \$2500, with our tender for bridge No. 764 across the Don River at Toronto, also cheque No. 4, \$2000, with our tender for bridge No. 846 across the Thames at London, Ont., and cheque No. 5, for \$2400, with the Corporation of the City of Toronto with tender for curb stone.

NOTE. Charge these cheques to Tender Deposits Account.

At the meeting of the Directors, the salaries of the officers were fixed for the year, as follows : H. White, President, \$300 ; James Reith, Vice-President and foreman of Red Stone Quarry, \$800 ; Thos. Brett, foreman Sandstone Quarry, \$800 ; Fred McDowall, foreman Gray Stone Quarry, \$800 ; J. S. Howes, Sec.-Treasurer, \$800 ; W. J. Gray, Book-Keeper, \$600.

NOTE. A separate account will be kept with each Quarry and Contract, and everything that the Quarry or Contract costs will be charged to it, including the salary of the foreman, as above specified. The several accounts will be credited with what they bring in, and the profit on each piece of work can thus be arrived at. The salaries of President, Sec.-Treasurer and Book-Keeper, are chargeable to Salary Account.

" 28. Advanced to each of the quarry foremen by cheques Nos. 6, 7 and 8, the sum of \$200, to enable them to make advance payments, payments of board, &c., when necessary, and to pay off discharged men at a time when the paymaster was not at the work—same to be refunded to them by paymaster on his rounds, and to be refunded to the Company at the close of the season.

NOTE. Debit each foreman personally with the \$200 entrusted to him.

Received notice from the C. P. R. Company that our tender for bridges Nos. 764 and 846 have been accepted, also from City of Toronto ordering stone.

April 1. Began work on bridge No. 764 over the Don at Toronto, as per contract entered into with C. P. R. Company to-day, excavations being at 90 cts. per cubic yard, and masonry at \$13.50 per cubic yard. The Railway Company to move all plant where required, and transport all stone, &c., from our quarries at their expense.

Began work on bridge No. 846 over the Thames, London, excavating to be at 75 cents per cubic yard, and masonry \$12 per cubic yard. Stone and plant to be transported as in No. 764.

Advanced to W. J. Mulock, foreman on Don contract, and Michael Connolly, foreman on London contract, \$200 each, per cheques Nos. 9 and 10, on same terms as other foremen.

" 20. Shareholders who have paid up less than 80 % of their stock, paid up to-day enough to make up 80 % as follows: James Reith \$1600, Thos. Brett \$3100, W. Morrison \$1500, J. S. Howes \$1500, F. McDowall \$1500, S. J. Somerville \$1500. Deposited all the cash on hand in the bank.

" 30. Foremen report as follows: Gray Quarry shipments to Don Contract, No. 764, \$2000, to London No. 846, \$1500. Sandstone Quarry shipments City of Toronto, \$4245, also Red Stone Quarry shipments to Lionel Yorke, for Parliament Buildings, \$2920.

NOTE. Charge contracts and persons with all shipments made to them, and credit the quarry shipping the material.

Drew on Lionel Yorke, Toronto, for the amount of our shipments to him this month, and had proceeds of draft credited at bank. Collection \$1.25.

Paid the following bills on account of Don Contract, No. 764: McRae & Co., Ottawa, cement, cheque No. 11, \$320; Wilson & Son, Toronto, sand, etc., cheque No. 12, \$62; Biddon & Co., Toronto, lumber, cheque No. 13, \$536.20; Polson Iron Works Co., repairs, cheque No. 14, \$76.35.

Paid for London bridge No. 846, the following bills per cheques: McRae & Co., Ottawa, cement, No. 15, \$227; Wallace Bros., sand, No. 16, \$24.60; W. B. Simpson, timber, No. 17, \$331.45; L. Pickerton, repairs, No. 18, \$41.36.

Paid Gray Quarry supplies to Redfern & LePan, cheque No. 19, \$136.44; Red Stone Quarry to T. I. Thompson, cheque No. 20, \$72.27; Sandstone Quarry to R. P. Butchart & Bros, cheque No. 21, \$184.26; and John Swinton, for wood, per cheque No. 22, \$225.

May 1. The foremen report charge to C. P. R. Company Estimates Account with, and credit Don bridge No. 764 with 750 yds. excavation at 90 cts. and 690 yds. masonry at \$13.50. Credit London Contract, No. 846, with 635 yds. excavation at 75 cts. and 626 yds. masonry at \$12.

NOTE. Keep an account with C. P. R. Company estimates for the estimated amounts due from the Company on all contracts by the foremen's measurement. We thus know how much to expect, and have an idea of how much profit is being made monthly on each contract as it is credited with measurements. Should the measurement at any time not agree with that of the Company's Engineer on any contract, a *cross entry* will write it back if too much has been charged, and an additional entry will correct it if the engineer's estimate exceeds that of the foreman,



May 1. J. S. Howes, Sec.-Treasurer, draws from bank, per cheque No. 23, money to pay workmen's wages, per Office Time Book and Pay Sheets, as follows :— Gray Quarry \$1787.91, Red Stone Quarry \$1658.50, Sandstone Quarry \$1985.65, Don Contract, No. 764, \$2898.75 ; London Contract, No. 846, \$2765.50.

NOTE. Charge total amount to J. S. Howes personally for the present time. Credit him and charge the various contracts with their several amounts when he makes his report, as having paid them. Even if some persons were not on hand to get their pay and it is brought back, let the total wages earned be charged to the contract where the work was done. All amounts returned by a paymaster as not paid will be credited to "Unclaimed Pays Account," and should he pay these on a subsequent occasion, charge the amount to Unclaimed Pays Account.

" 10. Received from the C. P. R. Company cheques for 90 % of the amount of the estimates for April for contracts Nos. 764 and 846. Deposited all the cash on hand in the bank.

NOTE. Credit C. P. R. Company Estimate Account with the amounts of these cheques. The 10 per cent. retained is kept as a guarantee that the work on the contracts will be continued.

" 12. J. S. Howes reports having paid all the men on the pay sheets of the several quarries and contracts, as per entry of amounts of May 1st, except J. Koomer \$4.25 and W. Simpson \$5 of Sandstone Quarry, and J. Knaus \$70 and A. McEwen \$71 of Gray Quarry. (See note on entry, May 1st, relative to this.)

" 13. Received from C. P. R. Company our marked cheques sent as deposits with our tender for contracts Nos. 764 and 846, and deposited same in the bank to our credit, together with the amount of Unclaimed Pays on 12th inst.

NOTE. In the remaining transactions we have added together the business of the season's work, believing that we have sufficient to illustrate the various special features of the books used for this contracting business, and for any other business where a large number of men are employed without a multiplication of entries. We therefore have collated six months' work and called it one month. We called it the month of November, as the bills are usually paid during the first half of the month following the one in which the work was done or the debt contracted.

Nov. 1. Foremen of quarries report the following : Gray Quarry shipments to Don contract, No. 764, \$8981 : to London contract, No. 846, \$8018 ; Sandstone Quarry, to City of Toronto, \$12525 ; City of Montreal, \$3737.50 ; Red Stone Quarry, to L. Yorke, \$6237 ; T. Voigt, \$8036.75.

Foreman of London contract reports to charge to "London contract extras" and credit to London contract, No. 846, the cost of retaining wall and sheet piling, \$6580.

Foremen on contracts report work done to be charged to C. P. R. Estimates Account : Don bridge No. 764, excavation \$3120.70, masonry \$32010.80 ; London contract No. 846, excavation \$4520.30 and masonry \$26413.20, also on London Contract Extras a retaining wall and sheet piling for protection of banks on either side of bridge, \$8640.



Foremen of Don contract No. 764, reports to charge London contract No. 846, with 200 barrels of cement shipped from Don contract to London, and credit same to Don contract at \$4 per barrel, also that of the bills of supplies charged to Don contract \$866.20 should be charged to Plant and credited to the contract.

Foreman of London contract No. 846, reports to charge to Plant Act count \$1460 of supplies charged to London.

- " 7. Received from the Corporation of the City of Toronto cheque for \$12500, and from L. Yorke, Esq., cheque for \$6237, T. Voigt \$8030, City of Montreal \$3737.50. Credit City of Toronto with shortage on shipment of stone \$25, and T. Voight \$6.75. (Debit quarries for shortage.)
- " 8. Deposited all the cash on hand in the bank less collection on cheques \$6.25
- " 9. Paid the following bills on account of Gray Quarry for supplies \$648, by cheque No. 24; Sandstone Quarry by cheque No. 25, \$13; Red Stone Quarry \$13, per cheque No. 26.
- " 11. Received from Canada Pacific Railway cheque for work at Don contract No. 764, and at London contract No. 846, \$67862.83.
- Deposited the C. P. R. Company's cheques in bank, less \$16.40 for collection.
- " 12. Paid for material, &c., on account of Don contract No. 764, per cheque No. 27, \$7583.95, and on account of London, per cheque No. 28, \$8580.60.
- J. S. Howes drew from bank to pay men, per cheque No. 29, \$77541.60. He reports payment men per pay sheets: \$17048.50, Don contract No. 764; \$17433.35 for London contract No. 846; \$16956.50 for Gray Quarry; \$14456.75 for Red Stone Quarry; \$11496.25 for Sandstone Quarry; and \$150.25 for unclaimed pay.
- " 15. Received from each of the five foremen the \$200 of cash advanced to them, also the cheque deposited with the City of Toronto on tender, \$2400.
- Received from C. P. R. Company cheque for \$8324, being the amount allowed by C. P. R. for our bill of extras for retaining wall, &c., at London.
- Write back the overcharge on the extras of the Estimates Account to the Extras Account \$316.
- " 16. Deposit all the cash on hand in the bank, less \$3.20, collection on cheques.
- The following payments were made by cheques Nos. 30-35: H. White, President, \$300; J. S. Howes, Sec.-Treasurer, \$800; W. J. Gray, Book Keeper, \$600—all chargeable to Salary Account, and the following chargeable to the various quarries: James Reith, foreman Red Stone Quarry, Thomas Brett, foreman Sandstone Quarry, and F. McDowall, foreman Gray Quarry—each \$800.

Nov. 30. Inventories Real Estate. Estimated value \$7000. Plant per inventory \$10364.20

NOTE. You will now take off a book-keeper's balance sheet similar to that on the Minute Book, page 80, and hand it to the Directors that they may know the profits of the business for the season, and declare any dividend they may think proper. They will engross it in their Minutes and return it to the book-keeper with a memo in reference to dividend, &c., on it, when he will proceed to carry out their desires.

" 30. According to resolution of Directors a dividend of 10 % on the paid up capital of the Company was paid to the shareholders by cheques consecutively 36-43, numbered as per dividend book folio — \$4100 The balance of profits \$13844.51, being placed at the credit of Reserve Fund, and the books duly closed for the season.

Messrs. L. V. Neelands and Robinson Marshall were appointed Auditors, and requested to audit the books, and verify and sign the annual statement of Losses and Gains, and Resources and Liabilities for the general meeting of the shareholders on 20th December next.

NOTE. The student will prepare a Book Keeper's Balance Sheet, also statement of Losses and Gain, and Resources and Liabilities, and place on them the certificates signed by the Auditors. See that your Gains and Losses, and Resources and Liabilities are correct.

## The Cash Book.

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The Cash Book following and belonging to this contracting business, is unique in presenting both Cash and Bank accounts together, so arranged that the balance in the bank is struck every cheque that is drawn. This style of Cash Book is suitable to companies that make *all* their payments by cheque on the bank; where all cash is deposited in the bank to the company's credit, and payments are only made by cheque after the directors have passed resolutions ordering their payment. This is the practice in all well-ordered companies, hence this style of Cash Book is suitable for all styles of corporation and company work. On the Dr. side there are three money columns simply dividing the different receipts of cash. These are only useful in this particular business to show at a glance the relative amounts of receipts of cash from the different sources. There is no posting of totals except to Dr. of Cash. In many businesses the receipts of cash can be very nicely classified so as to save much work in posting.

For example in the steamboating books that follow this the cash receipts could be classified into passenger earnings and freight earnings, and the sum of each column posted directly to the credit of that account. A sundries column would be kept for all items that are to be posted separately. Other businesses might be cited to show the use of special columns in the Cash Book, but the foregoing will suffice here.

The credit side of the Cash Book has special features. The first is that the money being *only* deposited in the bank the Cr. of cash and the Dr. of bank will be equal—hence the first money column on the Cr. side would be balanced with the Dr. side of the Cash Book. The difference would be the amount of cash on hand not deposited in the bank. In most companies where payments are made by cheque a small amount of cash is kept in the head office for making petty payments such as postage, telegrams, etc. When these accumulate for a week or a month (being paid out of the cash on hand in the head office in the meantime) a cheque is issued for the total of them and deposited as cash to the company's credit at the bank, instead of the cash actually paid out for these things. The footings of this first money column would be posted to the Cr. of cash, and the Dr. of bank, if these accounts were kept in the ledger besides keeping them in the cash book.

The second money column on the Cr. side is the real column of payments. In it are entered all cheques that are drawn against the company's account at the bank, and in the third money column headed "Balance," the cheque is deducted or the deposit added to the former balance every time anything is done. The second column contains the Cr. of bank. This would be posted to the Cr. side of bank if the company's bank account were kept in the ledger, as well as in the cash book.

In many businesses the second column could be divided into a number of columns corresponding with different accounts in the ledger and still have the balance column kept as it is. Suppose we had made this column into three columns in this work, viz.: (1) Don Contract, (2) London Contract, and (3) Sundries, all "Don" payments would post to Don Contract account in one item and save time. Others could be done the same way.

If no accounts were kept in the ledger with cash or bank, the balance of cash and the balance in bank could be entered in the trial balance on the Dr. side directly from the cash book.

There is a small extra column on the credit side for the cheque number, a very useful record both for the book-keeper to save him missing any cheques in entering up and for the auditor in checking over the vouchers with the various payments.

Dr.

Total to Dr. of cash, fol. 2



# CASH

Cr.

1892	LF			Chq No.	Cash Cr. and Bank Dr.	Cheques.	Balance.
Feb.	28	Molsons Bank	Deposited		13000 00		13000 00
Mar.	1 15	Expense	Paid Jas. Masson's sight draft, Charter Fees, &c.	1		320 00	12680 00
	1 15	Expense	Paid Warwick & Sons for stationery	2		136 20	12543 80
	1 24	Tender Deposit	C. P. R., Don Contract Bridge No. 764	3		2500 00	10043 80
	1 24	" "	C. P. R., London Bridge, No. 846	4		2000 00	8043 80
	1 24	" "	City of Toronto	5		2400 00	5643 80
	28 60	J. Reith (per acct.)	Advanced to Foreman of Redstone Quarry	6		200 00	5443 80
	28 61	Thos. Brett "	Advanced to Foreman of Sandstone Quarry	7		200 00	5243 80
	28 62	F. McDowall "	Advanced to Foreman of Gray Quarry	8		200 00	5043 80
Apr.	1 64	W. J. Mulock "	Advanced to Foreman of Don Contract	9		200 00	4843 80
	1 63	M. Connolly "	Advanced to Foreman of London Contract	10		200 00	4643 80
	20	Molsons Bank	Deposited		10700 00		15343 80
	30	" "	"		2920 00		18263 80
	30 15	Expense	Coll. on L. Yorke's draft			1 25	18262 55
	30 33	Don Contract	McRae & Co., Ottawa, ce- ment,	11		320 00	17942 55
	33	" "	Wilson & Co., Toronto, sand,	12		62 00	17880 55
	33	" "	Bidden & Co.	13		535 20	17344 35
	33	" "	Polson Iron Works	14		76 35	17268 00
	30 36	London Contract	McRae cement	15		227 06	17041 00
	36	" "	Wallace Bros. sand,	16		24 60	17016 40
	36	" "	W. B. Simpson, timber,	17		331 45	16684 95
	36	" "	L. Pinkerton, repairs,	18		41 36	16643 59
	30 26	Gray Quarry	Supplies, Redfern & Lepan	19		136 44	16507 15
	30 28	Red Stone Quarry	" T. I. Thompson	20		72 27	16434 88
	30 29	Sandstone Quarry	" R. P. Buthart Bros	21		409 26	16025 62
May	1 59	J. S. Howes	The Sec. Treasurer drew from Bank to pay men	22		11096 31	4929 31
	10	Molsons Bank	Deposited		16180 43		21109 74
	13	" "	"		4650 25		25759 99
Nov.	1	" "	"		30504 50		56264 49
	8 15	Expense	Collection on Cheques	23		6 25	56258 24
	9 26	Gray Quarry	Supplies	24		648 00	55610 24
	9 29	Sandstone Quarry	"	25		23 00	55587 24
	9 28	Red Stone Quarry	"	26		13 00	55574 24
	11	Molsons Bank	Deposited		67862 82		123437 06
	11 15	Expense	Coll. on C. P. R. Cheques			16 40	123420 66
	12 33	Don Contract	Material	27		7583 95	115836 71
	12 36	London Contract	"	28		8580 60	107256 11
	12 59	J. S. Howes	To pay men	29		77541 60	29714 51
	16	Molsons Bank	Deposited		11724 00		41438 51
	16 15	Expense	Coll. on C. P. R. Cheques			3 20	41435 31
	16 18	Salaries Account	H. White, President,	30		300 00	41135 31
	16 18	" "	J. S. Howes, Treas.,	31		800 00	40335 31
	16 18	" "	W. J. Gray, Book-Keeper	32		600 00	39735 31
	16 28	Red Stone Quarry	Jas. Reith, Foreman	33		800 00	38935 31
	16 29	Sandstone Quarry	Thos. Brett, "	34		800 00	38135 31
	16 26	Gray Quarry	F. McDowall "	35		800 00	37335 31
Dec.	10 70	Dividend	Paid Shareholders per Dividend Book per cheques, Nos.	36-42		4100 00	33235 31
					157542 00	124306 69	

Cash Cr. folio 2, Bank Dr. folio 6, Bank Cr. folio 6.

# CANADA STONE COMPANY, LTD.

## TIME BOOK

*For Gray Quarry for the week ending April 1<sup>st</sup>th, 1892.*

FRED M. McDOWALL, Foreman.

No	NAME.	OCCUPATION	Sun.	Mon.	Tu.	Wed	Thu	Fri.	Sat.
1			5	6	7	8	9	01	11
2									
3									
4	H. Agnew	Stonecutter	11	10	15	10	12	10	
5	H. Bell	"	12	12	10	15	10	12	
6	F. Speers	"	10	10	14	15	12	10	
7	J. Stewart	"	10	10	12	12	12	10	
	C. A. Madden	"	10	10	10	10	10	10	
	W. Crawford	"	10	12	10	12	10	10	
	Geo. Day	"	10	12	10	10	12	10	
	Wm. McKenzie	"	10	12	12	12	12	10	

## The Time Book.

The Time Book is kept by the foreman on each contract. It is a small book that can be carried about easily in the pocket. The above is a weekly form ; some prefer a monthly form. When the weekly form is used there are generally two to each contract, so that one may be away at the head office of the company to be entered up, the other one being in the hands of the foreman. The books will in such cases be returned alternately.

In reference to the methods of taking time on large works, many systems are adopted, one good one is to give each man a number and a brass tag. A small office is arranged in a convenient place about or near the middle of the works; each man hands in his check with his number on, into the office in the morning. The time keeper marks his presence by the brass check. When the workman goes away at noon he is given his check again. He returns it every time he starts to work and takes it away when he leaves.

In reference to system in marking, it is best to enter the number of hours worked during the day instead of a mark to show presence or absence, or an x to denote his absence.

# PAY SHEET,

Of the Canada Stone Company Limited,

For Gray Quarry, for the month of April 1892, paid by John S. Howes on May 15, 1892.

No.	NAME.	OCCUPATION.	Total days or hr	Total meas- ure- ment	Rate	Total earn- ings	Cash adv- anced	Sundry Charges	Total debt	Unclaim'd pays	Balance payable	SIGNATURE.
1	H. Agnew	Stonecutter	29 0		25	72 50					72 50	H. Agnew
2	H. Agnew	"	27 9		25	69 75	40 00		40 00		29 75	H. Bell
3	F. Speers	"	28 5		25	71 25					71 25	F. Speers
4	J. Stewart	"	28 0		25	70 00		5 00	5 00		65 00	J. Stewart
5	C. A. Madden	"	28 2		25	70 50					70 50	C. A. Madden
6	W. Crawford	"	27 6		25	69 00					69 00	W. Crawford
7	Geo. Day	"	28 5		25	71 25	10 00	8 50	18 50		52 75	Geo. Day
8	Wm. McKenzie	"	27 9		25	69 75					69 75	Wm. McKenzie
						1787 91	165 00	21 00	186 00	141 00	1601 00	

This sheet is simply a transcript of a portion of the Pay-Book. It contains all particulars necessary for the "pay-master" who pays the men. It also is a voucher for the payment of certain money to workmen, as all are required to sign their names on receiving the cash. If any are not on hand when the pay-master comes and cannot be paid he enters the amount in the unclaimed pays column and returns the amount of such column to the Company in cash. Only a few names are entered to show the mode of using the book. The total corresponds with the Pay Book and Journal.

# The Canada Stone

## OFFICE TIME

*Grey Quarry, for the month of April, 1892.*

No	NAME.	OCCUPATION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1	H. Agnew	Stonecutter	10	10	12	13		11	10	15	10	12	10		10	10	12	13	14	10		12	12	12	13	13	10
2	H. Bell	"	10	10	10	10		12	12	10	15	10	12		10	10	10	12	12	10		10	10	12	12	10	10
3	F. Speers	"	10	10	12	12		10	10	14	15	12	10		10	10	12	12	10	10		10	10	10	10	10	10
4	J. Stewart	"	10	10	14	12		10	10	12	12	12	10		10	10	10	12	12	10		10	12	12	10	10	10
5	C.A. Madden	"	10	10	14	10		10	10	10	10	10	10		10	12	12	15	15	10		12	12	10	10	10	10
6	W. Crawford	"	10	10	10	12		10	12	10	12	10	10		10	12	12	10	10	10		10	12	12	12	10	10
7	Geo. Day	"	10	10	12	10		10	12	10	10	12	10		12	14	15	12	10	10		10	12	12	10	10	10
8	Wm. McKenzie	"	10	10	10	10		10	12	12	12	12	10		10	10	11	11	10	11		10	12	10	10	10	10

## The Office, Time and Pay Book.

The form of book above illustrated is the form suitable for the head office of any company that employs a number of hands. It is especially useful for such as Railroad Companies, Contracting Companies, Lumber Companies, where there are various gangs of men employed at different places or on different works, and where these men are paid regularly once in two weeks or once a month as is the usual custom. It is the duty of each foreman of a work or gang of men to report weekly the time of all the men under his charge to the head office of the company. This is usually done by having two weekly time books, such as is illustrated on page 130, for each foreman or time-keeper. These are used alternately by the person in charge of the timekeeping, one being sent to the head office each week. It is copied off into the Office Time Book and returned to the Time-keeper. When the Time Book for the last week of the month is copied into the Office Time Book and Pay Book, all the time is made up on the page for that one particular contract, the column for total time is carried out in hours, and a line placed between the units and tens columns of figures. Thus, the total of H. Agnew's time in the above is 292 hours = 292 = 29 days, 2 hours. The time is multiplied by the rate per hour or



# Company, Limited.

## AND PAY BOOK.

*Paid by John S. Howes, on May 15.*

62	27	28	29	30	31	Total days or h'r	Total meas'r- ment	Total earn'gs	Cash adv'ced	Sundry Charges	Total debt	Unclaim'd pays	Balance payable	Remarks
10	10	8	8			29 0	25	72 50					72 50	
10	10	10	10			27 9	25	69 75	40 00		40 00		29 75	
12	12	12	10			28 5	25	71 25					71 25	
10	10	10	10			28 0	25	70 00		5 00	5 00		65 00	Board
10	10	10	10			28 2	25	70 50					70 50	
10	10	10	10			27 6	25	69 00					69 00	
10	10	10	12			28 5	25	71 25	10 00	8 50	18 50		52 75	Board
12	12	12	10			27 9	25	69 75					69 75	
								1887 91	165 00	21 00	186 00	141 00	1601 00	

day and the total earnings are found. The columns following are useful for sundry memoranda of charges against men for board, breakages, cash advanced before the time, charges at store that is frequently kept by companies, contractors, &c. The column "Unclaimed Pays" is useful to enter in any sums that could not be paid to the men by the Pay Boss on account of their absence from the works, and when a Pay Boss is charged with the amount of the balance payable column, he should account for that amount either by returning all the men paid on the Time Sheet, or by paying back to the company such sums as are not paid and receipted on the Pay Sheets, entered in the Unclaimed Pays column.

The Pay Sheet illustrated on page 131 corresponds with the first and last parts of the office Time Book, and the "balance payable" column is put on the right hand side to be next to the signature acknowledging the receipt. The "unclaimed pays" would come to the right of the "balance payable" column if the logical order were followed, but the Pay Book is made to correspond with the Pay Sheet, in which it is almost absolutely necessary to have the balance due next to the receipt.

It will be noticed that only a few names are entered on this book, while the totals of the Pay Sheet are given to correspond with the entries in other books.

# Canada Stone Company, Ltd.

## Details of Contract Book for *Don Bridge, No. 764, for C. P. R.*

DATE.	PARTICULARS.	WAGES.	STONE.	Cement.	SAND.	Timber for con- struct'n.	Tim. & used as plant	Repairs to plant.	Travel- ling ex- penses.	Freight.	Sund., clnd g off plant &c	How applied.	REMARKS.
Apr.	30 Stone from Gray Quarry		\$2000 00	320 00	\$62 00	320 00	216 20	\$22 15				\$2000 00	
"	30 Cement—McRae & Co.											320 00	
"	30 Sand—Wilson & Son.											62 00	
"	30 Lum. & T. B. & Co., 536, 20											320 20	
"	30 Polson Iron W. Co., 76, 35											32 15	
"	30 Wages, 2898 75	\$2898 75										1142 50	54.20 Plant. Lost on excv'n

### DETAILS OF COST OF CONTRACTS.

The above form illustrates a very useful book for a contracting company. It enables the management to get a close analysis of the elements of the cost of the various departments. When the details of cost of the various materials—labor, plant, &c.—are carefully kept, the company is able to tell just exactly where a loss is made on any work. They can tell where to raise or lower their price on the next tender they make for that class of work. The division in this book is two-fold, viz:

1st—The contract is considered *as a whole*, and the cost of separate parts of the total work are found by addition of the various columns.

2nd—There are two kinds of work done, viz, excavating and the building of stone-work, and our division in the two columns to the right gathers up the expenditures made on account of each department of the work. It is evident that the excavating has been taken too low, considering the place and circumstances. The total of these two columns should be equal to the sum of to the other ten, and the Dr. side of the Don contract account in the Ledger.

## Steamboat Books.

It is proposed in this connection to outline a method of keeping the books for a steamboat company and use the transactions both as an exercise in joint stock company work, and an example of how the books are kept usually on board of the boat. The officer on the boat whose duty is to do the business and keep the books is called the "purser." A set of books will be kept on board of each boat and the purser on each boat will render a statement to the secretary of the company at the end of each trip. These statements will be journalized each trip. They should be accompanied by proper vouchers for all payments. The statements of the steamer *Carmona* for trips Nos. 1 and 2 are appended as also the forms of principal books kept on board the steamers. The company's cash book may be kept as outlined on page 128-129 in connection with the Canada Stone Company.

Time books and pay sheets such as formerly illustrated in connection with the Canada Stone Company would be kept on each ship. The pay sheet, duly signed by all the hands that were paid, should properly accompany every trip statement as a voucher for the payments. The freight book would show details of freight earnings and the passenger book would show details of passenger traffic. These are illustrated after the Memo. of Transactions.

## Memo. of Transactions.

John Simpson, John Harrison, and John Corbet are joint equal owners of the steamer *Cambria*, valued at \$30,000, fitted out and in good order; and Henry Smith, W. Tate Robertson, W. Kough and Thomas Maitland are joint equal owners of the *Carmona*, valued at \$40,000 fully equipped and fitted out. They apply to the Governor-General in Council for letters patent incorporating them as the Georgian Bay Transit Company, capital stock \$100,000, divided into one thousand shares of \$100 each, and the letters patent are duly received Feb. 1, 1892.

Feb. 1. The owners of the above steamers being each interested in a steamer to the amount of \$10,000, subscribe for 100 shares of stock payable in his share in the ship, and a bill of sale is duly executed for each vessel to the company and the 100 shares issued fully paid up to each shareholder.

NOTE. (1) Write out a prospectus of the company, setting forth the present state of organization of the company, giving full particulars about lake trade. It is proposed to issue the remaining \$30,000 stock at par payable 25% with application and the remainder in monthly calls of 25%. The boats to run from Owen Sound to Port Arthur in connection with the C. P. R. It is expected that the Dominion Government will grant a subsidy for mail service. (2) Write out Stock Book and sign shareholders' names; keep room for more. (3) Write out Share Register, leaving room for 1,000 shares. (4) Write out a certificate of stock such as would be given to the shareholders for the fully paid-up stock. (5) Enter up in the Journal the transactions so far. As the shares of stock this far are to be issued fully paid up there will not be anything gained by entering the shareholders' accounts in the general ledger, therefore if the following entries are made it will shorten the work.

(1) Steamer Cambria, Dr. \$30,000,  
 " Carmona, " \$40,000,  
 To Capital Stock, \$70,000.

This entry is to be posted in the General Ledger and an account opened with each steamer for its cost.

Paid up Capital, Dr. \$70,000,  
 To Jno. Simpson, \$10,000,  
 " Jno. Harrison, 10,000,  
 " Jno. Corbet, 10,000,  
 " Henry Smith, 10,000,  
 " W. Tate Robertson, 10,000,  
 " W. Kough, 10,000,  
 " Thomas Maitland, 10,000.

This entry is to be posted to the Stock Ledger and corresponds to the above for the general Ledger—a full explanation would follow.

Feb. 15. At a meeting of the company, Jno. Harrison was elected President, Jno. Corbet Vice-President, Thomas Mairland Secretary and Henry Smith Treasurer, John Simpson Master of Cambria and W. Tate Robertson Master of Carmona. The salary of Secretary to be \$600, Treasurer \$600, and each Captain \$900, each to give his entire time and energy to the company. Other officers to be allowed \$3 per day and expenses when at work for the company.

Mar. 1. The Board of Directors met and the Secretary reported the following subscriptions for stock and 25 % paid thereon : E Todd, \$5,000 ; J. McLauchlan, \$5,000 ; Henry Rixon, \$5,000 ; T. B. Miller, \$5,000 ; Jas. Maitland, \$6,000 ; Robert Thompson, \$4,000. The stock was duly allotted by by-law.

NOTE. These shareholders' accounts will be entered up in both the General and the Stock Ledgers, because not fully paid up at the time of allotment.

Opened an account for the company at the Bank of Hamilton, and deposited all the cash on hand.

NOTE. Prepare an instalment list of the call of 25% due on the \$30,000 stock due on April 1. The following are the payments and their dates :

Apr 1. Received the second call on stock on the following dates and terms :  
 E. Todd, on stock \$1250 ; J. McLauchlan, \$1250 ; T. B. Miller, \$1250 ;  
 Jas. Maitland, \$1500 ; R. Thompson, \$1,000.  
 Deposited in Bank of Hamilton all the cash on hand.

Apr. 16. Received from Henry Rixon his cheque for \$1253.10, being for 2nd call \$1250 and interest on same \$3.10.

Deposited H. Rixon's cheque in bank.

Paid Creasor. Smith & Notter, solicitors, for charter fees and expenses connected therewith, \$300 by cheque.

NOTE. It was thought unnecessary by the directors to call up any more of the cash on the last issue of \$30,000 stock, and the respective shareholders were notified accordingly.

Apr. 20. The directors engaged the following officers : Jno. H. Holman, engineer of Cambria, and Chas. Munro, engineer of Carmona, at \$600 each for the season ; and A. C. Maitland, purser Cambria, and W. H. Matthews, purser Carmona, at \$500 each for the season.



May 10. Purchased from Ohio Coal Exchange 2,000 tons of steamboat coal at \$3 per ton delivered in Owen Sound, same was delivered by schooners "Restless" 800 tons, and "Maple Leaf" 1200 tons Remitted Ohio Coal Exchange our cheque No. 2 in full for same.

NOTE. Charge to coal account.

May 15. Paid per cheque No. 3 the Secretary's accounts for provisions, etc., for vessels, \$620.50.

NOTE. Charge to provisions account.

Advanced to the purser of each vessel per cheques Nos. 4 and 5 the sum of \$300 until the vessels begin earning.

NOTE. Charge to the purser of each vessel.

Delivered to Steamer Carmona provisions per schedule, \$360, and coal —200 tons @ \$3—\$600. Steamer Carmona sailed on trip No. 1.

NOTE. Charge Carmona fuel acct. and credit coal acct. with the amount of the coal. Charge Carmona pantry acct. and credit provisions acct. with the provisions delivered.

May 18. Paid the Secretary's accounts for provisions, \$725.60 ; also for ship's stores, \$1360.50.

NOTE. Charge provisions acct. with provisions, and ships stores account with the bill of stores and supplies.

Delivered to Steamer Cambria, provisions per schedule \$400, and 200 tons coal @ \$3—\$600. Steamer sailed on trip No. 1.

NOTE. Charge Cambria fuel acct. and Cambria pantry acct.

May 22. Steamer Carmona returned from her first trip and Purser W. H. Matthews reports as follows, per Purser's Trip Statement No. 1 : Freight earnings, including advance charges, \$5,800 ; passenger earnings, \$1,620. Payments : Advance freight, \$180.75 ; wages, \$216 ; harbor dues and tolls, \$62.50 ; commissions, 124.25 ; elevating, \$264.75 ; shortage of grain, \$2.25. Paid to Treasurer, \$6,300.

NOTE. The following may be taken as sample entries for trip statement :

Purser Steamer Carmona	\$7420	Carmona Freight acct. Dr.	\$180.75
To Carmona Freight acct.	\$5,800	" Wages acct. Dr.	216.00
" Passenger acct.	1,620	" Harbor dues, etc. acct.	62.50
		" Commissions acct.	124.25
		" Elevating acct.	264.75
		" Grain Shortage & Overplus	2.25
		Cash acct.	6,300.00
		To Purser Steamer Carmona	\$7150.50

These entries leave the Purser responsible for and charged with the balance of cash in his hands and the uncollected freight. No entry is made for the \$300 in the statement, as he has been already debited with it. The same will be true of the balances of freight and cash in succeeding trip statements.

May 23. Deposited in bank all cash on hand.

Delivered to Steamer Carmona 120 tons coal @ \$3, provisions \$200, and ships' stores \$375.

NOTE. Dr. Carmona Stores, and Cr. Ships' Stores for the \$375 delivered,

May 24. Steamer Cambria has returned, and Purser Maitland reports, per Trip Statement No. 1 : Freight earnings, \$5,000 ; passenger earnings, \$1,500.

Payments : Advance freight, \$150.50 ; wages, \$196 ; harbor dues and tolls, \$45 ; commissions \$110 ; elevating \$250 ; grain shortage \$2. Paid Treasurer \$5,500.

NOTE. Credit Steamer Cambria's freight and passenger accts. with earnings, and charge Steamer Cambria's accounts with all payments.

Deposited in bank all the cash on hand.

Delivered to Steamer Cambria 100 tons coal, \$300 ; provisions \$175 ; and ships' stores, \$300.

May 29. Steamer Carmona returned from trip No. 2, and Purser Matthews renders Trip Statement No. 2, as follows : Freight earnings, \$4,625.40 ; passenger earnings, \$1,360.40. Received for overplus of grain, \$5.70. Payments : Advance freight, \$485.60 ; wages, \$235.50 ; harbor dues and tolls, \$74.20 ; commission, \$96.40 ; elevating, \$220.30. Paid cash to Treasurer, \$5,000.

NOTE. Credit grain shortage and overplus acct. with the item of \$5.70.

Deposited all cash on hand in the bank.

May 30. Paid accounts presented by Secretary for provisions, per cheque \$380.50. Delivered to Steamer Carmona, coal—100 tons @ \$3 ; provisions, \$260.

June 3. Steamer Cambria returns from her second trip, and Purser Maitland reports per Trip Statement No. 2, the following : Freight earnings, \$4240.25 ; passenger earnings, \$1,120 ; overplus of grain, \$4.75.

Payments : Advance freight, \$425.60 ; wages, \$220.30 ; harbor dues, \$50.60 ; commissions, \$85 ; elevating, \$170.30. Paid to Treasurer \$4,600.

Deposited all cash on hand in bank.

June 4. Delivered to Steamer Cambria 100 tons coal @ \$3, and provisions \$200.

NOTE. It is needless to repeat these trip reports until we get up to thirty each, which would be an ordinary number for a steamer to make in a season ; we therefore put large amounts in the next trip statement for each vessel, corresponding somewhat to the earnings of the steamers for the remaining 28 trips, though not 28 times as large as the first trips, which are usually the best paying of the season except it be the last trip.

The Treasurer paid for ships' supplies, \$375 ; for coal, \$12,660 ; for provisions, \$10,800, per cheques.

Nov. 10. Delivered to Steamer Carmona, 2,700 tons coal @ \$3 ; stores, \$530.25 ; and provisions, \$5,465.80.

Nov. 14. Delivered to Steamer Cambria, 2,700 tons coal @ \$3 ; stores, \$530.25 ; and provisions, \$5,465.80.

Nov. 20. Purser Matthews, of Carmona, reports result of Trip No.—(3 to 30) per Trip Statement, as follows : Freight earnings, \$46,254.00 ; passenger earnings, \$13,604.00 ; overplus of grain, \$114.

Payments : Advance freight, \$9712 ; wages, \$4,710 ; harbor dues, \$1,484 ; commission, \$1928 ; elevating, \$4,406. Paid Treasurer \$38,181.

Deposited in bank all cash on hand.

Nov. 25. Purser Maitland, of Cambria, reports the result of Trip No.—(3 to 30) per Trip Statement, as follows : Passenger earnings, \$11,200 ; freight earnings, \$42,402.50.

Payments : Advance freight, \$4,256 ; wages, \$2,203 ; harbor dues, \$501 ; commissson, \$850 ; elevating, \$1,703.20. Paid Treasurer \$44,449.

Deposited in bank all cash on hand.

Paid Dry Dock Company for repairs per cheque \$2,850, for Steamer Cambria.

Paid Dry Dock Company for repairs per cheque \$3,500, for Steamer Carmona.

NOTE. Charge each cheque to the respective steamers' repairs accounts; thus the first one to Cambria repairs account

Dec. 1. Paid by cheques, captains' salaries, \$1,800 ; engineers' salaries, \$1,200 ; pursers' salaries, \$1,000 ; secretary's salary, \$600 ; treasurer's salary, \$600 ; directors' fees, \$420, and travelling expenses, \$180.

NOTE. Charge to the wages account of each steamer the salary of the captain, engineer and purser, and charge expense account with salary of secretary, treasurer and directors' fees.

Estimate the steamers at \$5,000 less in value than they were in the spring—that is, write \$5,000 off each for depreciation. The steamers were fitted out ready for running in the spring. Next spring we will require to spend about \$5,000 each, on painting, repairing, and putting things in order ready for next season.

A preliminary balance sheet was made and on motion of the directors the net profits of \$58,061 were disposed of by paying a 40% dividend of \$34,000 on the paid up capital, per dividend book, by cheques on bank. The balance of the net earnings was placed at reserve.

## Trip Statements.

The following statements are for trips Nos. 1 and 2 of Carmona. They should be made out by the purser and accompanied by vouchers for payments, consisting of receipts, pay sheet, &c., and the Freight Register and Passenger Register, showing the earnings. They are audited by the treasurer on the arrival in port at the termination of the trip.

## Steamer "Carmona."

*Purser's Statement of Trip No. 1, Owen Sound to Port Arthur and return, Commencing May 15 and ending 22, 1892.*

To cash advanced .....	300 00	By advance frt. pd. per Frt. Bk. folio	180 75
" Freight per Frt. Book folio ....	5800 00	" Wages per Pay Sheet .....	216 00
" Passengers per Ps'ge Book folio	1620 00	" Harbor dues and canal toll ....	62 50
		" Commission on tickets, &c ....	124 25
		" Elevating .....	264 75
		" Shortage on grain .....	2 25
		" Paid treasurer .....	6300 00
		" Uncollected freight per statement	190 25
		" Cash on hand .....	379 25
	\$ 7720 00		\$ 7720 00
Owen Sound, May 22/92.		W. H. MATHEWS, Purser.	

I certify that I have checked off the vouchers produced for payments and compared the above statement with the steamer's books and found them all correct. I acknowledge the receipt of Six Thousand Three Hundred Dollars mentioned.

HENRY SMITH, Treasurer.

Owen Sound, May 22, 1892.

## Steamer "Carmona."

*Purser's Statement for Trip No. 2, Owen Sound to Port Arthur and return, Commencing May 23 and ending May 29, 1892.*

To cash on hand from last trip ....	379 25	By advance frt. pd. per Frt. Book folio	485 60
" Uncollected frt. " " ....	190 25	" Wages per Pay Sheet .....	235 50
" Freight as per Frt. Book folio ..	4625 40	" Harbor dues and canal tolls ...	74 20
" Passengers as per Pass'ger Book	1360 40	" Commission on tickets .....	96 40
" Overplus of grain .....	5 70	" Elevating .....	220 30
		" Paid Treasurer .....	5000 00
		" Uncollected frt. per statement ..	230 00
		" Balance of cash on hand .....	219 00
	\$ 6561 00		\$ 6561 00
Owen Sound, May 29, 1892.		W. H. MATHEWS, Purser.	

I certify that I have examined the steamer's books for trip No. 2, and compared the vouchers produced for the payments, and find them correct, and the above trip statement also correct. I acknowledge the receipt of \$5000 mentioned as paid to me.

HENRY SMITH, Treasurer.

Owen Sound, May 29, 1892.



## Freight Register of Steamer Carmona

*On her Weekly Trips between Owen Sound and Port Arthur, Trip No. 1, beginning at Owen Sound, May 15, and ending at Owen Sound, May 22, 1892.*

SHIPPER.	WHERE SHIPPED.	DESTINATION.	CONSIGNEE.	MARKS & NUMBERS.	DESCRIPTION OF GOODS.	OF Weight or quantity.	Rate	NET Freight.	Back chgs.	Total Charges.	Com. Remarks.
H. Kennedy	Owen Sound	Port Arthur	Smith & Mitchell	S. & M. P. A	50 tubs Butter	3000	1 $\frac{1}{2}$	4000		40.00	
"	"	"	"	"	10 cases Produce	3600	$\frac{3}{4}$	2700		27.00	
S. Lloyd	"	Sault Ste. Marie	D. J. S.	D. J. S.	100 tubs Butter	5600	$\frac{3}{4}$	4200		42.00	chgd D.
"	"	"	"	"	150 boxes Cheese	8200	$\frac{1}{2}$			42.00	} Jackson.
C. P. R.	"	Port Arthur	C. P. R.	C - X	220 tons Rails	250 tons	\$12	3000.00		3000.00	
"	"	"	"	"	30 tons Fish Plates						
C. P. R.	Port Arthur	Owen Sound	C. P. R.	XXXX	Manitoba Wheat	50855 bu	5c	2542.75		2542.75	chgd D.
Jas. Maitland	Owen Sound	Port Arthur	D. F. Burke	XXXX	25 tons Pressed Hay	25 tons	\$3	75.00		75.00	} F. Burk.
"	"	"	"	"	50 sacks Oats.	125 bu	25c	31.25	186.75	31.25	
										\$5800.00	

## FREIGHT REGISTER.

The above form of Freight Register would be kept by the Purser on board the boat. The earnings of every trip are added up, and the amount collected is entered in the Cash Book. The amount uncollected at the end of the trip could be posted into a Ledger, or, if no Ledger were kept, the items could be marked unpaid in the remarks column. It will be noticed that in the Trip Statement the total of the freight earnings are given, and the Purser debited personally with uncollected freight, while in the Cash Book only the net amount of cash received is entered. The Trip Statement shows the entire business, while the Cash Book shows only the receipts and payments. When the Trip Statement is Journalized the entire earnings are charged against the Purser and credited to Freight and Passenger earnings, and he is credited with his payments and the various accounts debited with them, leaving a balance against him at the end of the first trip of \$190.25. This, it will be noticed by statement of trip No. 2, was collected, and when the cash was paid out to the Treasurer, if no more debt was contracted, would balance the Purser's account in the company's Ledger. The uncollected freight in Trip Statement No. 2 is not charged against the Purser in Journalizing, because it has been already charged to him in the Journalizing of Trip Statement No. 1.

# Passenger Register of Steamer Carmona

Making Weekly Round Trips between Owen Sound and Port Arthur, Trip No. 1 beginning May 15 and ending May 22, 1892.

NAME.	EMBARKATION.	DESTINATION.	Cabin or deck	Berth No.	FARE.	Meal Ticket	Other chg.s.	TOTAL.	COMMON Tickets.	REMARKS.
Jno. Frost	Owen Sound	Sault Ste. Marie	C	4	12 00			12 00		
W. A. McLean & Wife	"	Port Arthur	C	18	20 00			40 00	2 00	E. J.
Henry Kennedy	"	"	C	6	shipper 4 00		1 50	5 50		E. J.
M. Scully	"	Sault Ste. Marie	C	14	12 00			12 00		
John Smith	"	Port Arthur	D	10	00 1 50			11 50	50	H. D.
Dennis Brown	"	"	D	10	00 2 00			12 00	1 00	
A. McCormack	"	"	C	15	20 00 5 00		1 00	20 00	2 00	
W. Cameron	"	"	C	7	20 00 5 00		50	20 00	2 00	
A. E. Jones	"	"	C	10	20 00			20 00	1 50	
Miss J. Young	"	"	C	9	12 00		75	12 00	50	
Remainder of list		Sault Ste. Marie	C					1455 00	114 15	
1620 00 124 25									Ent. C. B. Folio.	

## THE PASSENGER REGISTER.

The above form of register for the passengers commends itself to the intelligent boat officer. (1). It is a detailed list of passengers, giving their home and destination—useful in case of accident to find out the missing. (2). It is a summing up book for the passenger earnings of the vessel, from which they may be entered directly into the Trip Statement, and the cash received into the Cash Book. It is, to a certain extent, a voucher for the commissions paid on tickets. (3). It gives a full list of both deck and cabin passengers—useful to the travellers and others, to know who are on board.

# Cash Book Steamer Carmona

Making Weekly Trips (Round) between Owen Sound and Port Arthur. Trip No. 1, May 15-22, 1892

DATE.	L. F.	RECEIPTS.	DATE.	L. F.	PAYMENTS.	
May 15		To Treas. of Co'y advanced..	15		Advance freight .....	180 75
" 22		Freight per Freight Register..	22		Wages per Pay Sheet .....	216 00
" 22		Passengers per Pass'r Register	22		Harbor dues .....	62 50
					Commission on tickets ..	124 25
					Elevating .....	264 75
					Shortage on grain .....	2 25
					Paid Treasurer .....	6300 00
						7150 50
					Cash on hand .....	379 25
						\$7529 75
May 23		Balance .....				

## THE PURSER'S CASH BOOK.

In this book is kept a record of the cash dealings between the Purser and the Company. It shows the balance due from the Purser at any time. There is no special feature about it that needs explanation. If a Ledger were kept on the boat, it would be used just as any other Cash Book is used to post from.

## MISCELLANEOUS PRACTICAL INFORMATION

RELATIVE TO

### Joint Stock Company Work.

In the foregoing pages we have given the laws regarding the formation and management of Companies, and several examples of how the books may be kept, In the following pages we will present considerable information of practical nature relating to Joint Stock Company work that could not well be introduced with the examples heretofore given. They will be better understood when given separately than following the examples that have been worked out.

#### “Limited” in a Company Name.

The appearance of the word “Limited” in the name of an Incorporated Company indicates that it is a *Limited Liability Company*. The individual shareholder is not personally liable for the payment of more money than he subscribed for when he took shares. For example, W. A. Bishop subscribes for five shares of \$100 each. He pays a first call of 20 %, a second call of 20 %, and a third call of 20 %—in all \$300. He is still liable to pay to the Company or its agents or assigns \$200. If the Company went into liquidation the creditors might demand the payment of the additional \$200 that he has not paid up on his shares to help meet the liabilities of the concern. If the shareholder has paid up all he signed for, he cannot be called on by the creditors for any more, no matter what the liabilities of the Company are. In a partnership it is different—the partner is liable to the extent of his *private* property for the debts of the firm in case the firm’s property is insufficient. The presence of the word “Limited” in the name of a Company is intended as a warning to every person who gives credit to the Company not to give credit beyond what they are willing to risk on the strength of the subscribed capital of the Company.

#### Publishing the Word “Limited” in the Company’s Name.

It is necessary according to the Joint Stock Company legislation that every Company whose liability is thus limited, shall always keep the word printed or written in the Company’s name :—

- 1st. On a sign at the Head Office of the Company—
- 2nd. On all circulars, advertisements, announcements, &c., regarding the business of the firm—
- 3rd. The Company’s name, when signed to any letter, contract, document, &c., shall contain it.

It is not necessary to write the full word “Limited.” It may be, and usually is abbreviated to “Ltd.” Any Director or officer neglecting to use the word in the corporate name or any shareholder who knowingly permits it to be left out where it should be inserted, is not only liable to a fine, but is personally liable for the firm’s debts if the creditor gave credit to the Company not knowing that it was a *Limited Liability Company*, and having reason to believe by its absence in the corporate name as used by the officers without the word “Limited,” indicated a *Full Liability Company* like an ordinary partnership.



## Double Liability.

The Banking business of Canada is done entirely by Corporate Companies that issue their own bank notes under the control of the Receiver General of Canada and in compliance with the Bank Act of 1890. There are at present only 36 Banking Companies incorporated in Canada, and their charters run for twenty years from July 1, 1891. No other company, or corporation, or partnership, or individual, may use the words "Bank," "Banker," "Banking Company," "Banking Association," "Banking House," &c., except these 36 Banks, or such others as may be afterwards incorporated and comply with the requirements of the Bank Act.

In accordance with the old principle that to whom much is given much will also be required from them, so, from the Banking Companies a greater liability is exacted on account of their special privileges. Then to give, if possible, the greatest integrity in the mode of conducting the business, greater security to the persons who hold the bank notes instead of gold coin, and of those who deposit their money and entrust their business with the banks, the shareholders in banks are *liable for twice the amount of their shares of stock*. For example, James Brown, M.D., subscribes for ten shares of Traders' Bank Stock of \$100 each—in all \$1000. He is liable to pay up the \$1000 subscribed for as called up by the Directors of the bank. If the Bank at any time ceased making payments and was thrown into liquidation, Mr. Brown would be called on for another \$1000 if he had already paid up his stock. And suppose he had only paid \$600 at the call of the Directors, he would be called on for \$400 more on that, and be called on by the liquidators for the creditors to pay \$1000. This call for payment by the liquidators would be payable at the rate of 20 % of the amount every thirty days until it was paid up in full.

## Closed and Open Companies.

A Closed, or Close Corporation, is one in which all the authorized capital stock has been taken up, and whose by-laws prevent the stock from being sold or transferred. In case any person desired to sell out, the other shareholders reserve the right to buy up the stock. In other words, a Closed Company is one that will not allow its stock to be transferred, and that will not sell any new stock, or allow a new shareholder to enter the concern.

An Open Company or Corporation is one in which a person not now a shareholder, may obtain shares, either by transfer from some person now holding stock, or by buying them direct from the Company.

## Stock Ledgers.

In a Company where the Capital Stock is divided among a few shareholders, and where the same shareholders continue in the concern from year to year, a Stock Ledger is of comparatively little moment as to its arrangement; but where the Stock changes hands frequently, or where there are hundreds of shareholders, very much will be gained by having a convenient form—one that will save labor as well as one that will give ac-

# Ontario People's Salt

## STOCK LEDGER AND

no	Names of Shareholders	Post Office	Folio Stock Reg.	Number Shares.	Journal Folio.	DR.	CR.		CR.		CR.		CR.	
						Amount of Stock.	C.B. Folio.	1st Call	C.B. Folio.	2nd Call	C.B. Folio.	3rd call	C.B. Folio.	4th call
1	John Tolmie	Kincardine	1	10	1	\$200	1	\$50 00	16	\$50 00	34	\$50 00	52	\$50 00
2	Henry Glazebrook	Orono	1/4	100	1	2000	3	500 00	16	500 00	34	500 00	52	500 00
3	R. J. Doyle	Owen Sound	5	20	6	400	13	100 00	16	100 00	40	100 00	60	100 00
4	E. H. Hilborn	Toronto	6	15	6	300	3	75 00	16	75 00	36	75 00	52	75 00
5	Jesse Trull	Oshawa	6	10	6	200	3	50 00	16	50 00	35	50 00	93	50 00
				155		\$3100		775 00		\$775 00		\$775 00		\$775 00

accurate results in an understandable form. The foregoing form of Stock Ledger and Dividend Book combined was suggested by the author for a Company of about 600 shareholders. It has many advantages, among which are the following :—

- (1) The Stock can easily be examined. At a glance the state of affairs can be seen.
- (2) It is simple, so that any person can understand it and trace out his own shares easily, as well as his dividends, etc.
- (3) It saves time of the book-keeper, as it is always a standing trial balance of the Stock part of the books as to the Dr. side, and in many cases as to both sides.
- (4) Transfers are easily made by simply ruling out the shares transferred and entering them up at the end in red, so that they will not be added twice.
- (5) The dividend is made out without even re-writing the names of the shareholders.
- (6) A large number of Ledger accounts are exhibited in a very small compass.

It will be noticed there are only *six* dividends provided for. When these are full it will be time for the whole Ledger to be transferred to pages further on in the same book.

# Manufacturing Co. Ltd.

## DIVIDEND REGISTER.

Stock Remarks.	I Div.		II Div.		III Div.		IV Div.		V Div.		VI Div.		Dividend Remarks.
	Amount paid up stock.	Paid 8% Jan. 1 1887.	Amount paid up stock.	Paid 8% Jan. 1 1888.	Amount paid up stock.	Paid 8% Jan. 1 1889.	Amount paid up stock.	Paid 8% Jan. 1 1890.	Amount paid up stock.	Paid 10 per cent. Jan. 1 1891.	Amount paid up stock.	Paid 10 per cent. Jan. 1 1891.	
	\$200	\$16 00	\$200	\$16 00	\$200	\$16 00	\$200	\$16 00	\$200	\$20 00			
	2000	160 00	2000	160 00	2000	160 00	2000	160 00	2000	200 00			
payment of 4th call extended 40 days.	400	32 00	400	32 00	400	32 00	400	32 00	400	40 00			
	300	24 00	300	24 00	300	24 00	300	24 00	300	30 00			
collect 4th call or cancel stock	200	16 00	150	16 00	200	16 00	200	16 00	200	20 00			
	3100	248 00	3100	248 00	3100	248 00	3100	248 00	3100	310 00			

The number of transfers, cancellations, &c., will necessitate this. After the Stock accounts are all transferred, they will be in *clear* condition to go on for another period of time.

In all such Stock Ledgers the Dr. side of the Ledger would consist of the stock allotted by the Directors and subscribed for by the applicants. This can be kept conveniently in one column, and this column should always add up to the same amount as the subscribed stock. The stock that is transferred, if put down in the ordinary way, would be counted again and again as often as transferred, unless the precaution is taken to enter it in red ink, so that it may not be added a second time.

The credits of the stock accounts consist of all payments received on stock, whether in cash or other commodities, therefore the Cr. side would contain and add up to the entire paid up stock. In this Ledger there is provision made for *four* calls on shares. The Cr. side of the Ledger is the sum of the four Cr. columns of calls. The Dr. and Cr. sides may be left added permanently, the Dr. side always, and the Cr. side as far as any one call has been fully paid up.

OWEN SOUND, GREY AND BRUCE, LOAN AND SAVINGS COMPANY, LIMITED.

STOCK LEDGER.

SHARES \$50 EACH.

MR W. P. TELFORD, *Owen Sound.*

Date.	Fol.	Particulars.	No. of Shares.			Subscribed Stock.			Amount Paid.			Unpd Stock.
			Dr.	Cr.	Bal.	Dr.	Cr.	Balance.	Dr.	Cr.	Balance.	
1891												
May 12	84	To 40 shares subscription			40	2000 00		2000 00				1200 00
12	20	By cash, 1st call 40 %						800 00	800 00			
July 15	118	To 20 shares subscription	20		60	1000 00		3000 00	100 00			2100 00
15	32	By cash, 1st call 10 %								900 00		
Nov. 1	148	By J. Tolton, 10 shrs. trnsfd		10	50	500 00	2500 00				850 00	1650 00
1	148	To J. Tolton, 10 " "							50 00			

The above is a very convenient form of Stock Ledger, as it shows fully the condition of all the amounts of stock taken, paid up, transferred, &c., and the amount now held with the unpaid balance, if any. The entries in the Ledger will be found self-explanatory. This form of Ledger is worthy of the close attention of all financially interested in Stock Company work.

After the ordinary columns for dates, folios and particulars, come a set of three columns dealing with the number of shares held. By the Dr. column it will be seen that sixty have been taken up. By the Cr. column that ten have been sold; the third always shows the present holding of shares. The next set of three columns headed Subscribed Stock shows the par value of the Stock taken, the amount transferred and the par value of the present holding. The third set of three columns show the amount of paid up Stock. It is a credit; the amount of paid up capital transferred is put in the Dr. column. The third shows what is paid upon the present holding of shares. The column to the right shows how much the shareholder is liable for in respect of paid up Stock.

The transactions entered up in the above Stock Account with the shareholder W. P. Telford are (1st), The allotment to him of 40 shares on the 12th, of May and a payment thereon of 40%. Then on July 15th, 20 shares more are taken on which only 10% is required for a first call; he has now 60 shares making \$3000 on which is paid \$900 leaving him liable in respect of unpaid stock for \$2100 which is unpaid. On Nov. 1st, he transfers 10 shares to J. Tolton of the last stock taken, with its 10% paid up, leaving 50 shares for himself amounting to \$2500 on which is paid up \$850 leaving \$1650 unpaid.



## The Stock Account.

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. In Joint Stock Company work this account is used in several ways, varying according to the conditions and the methods of business, the record required by the management and the caprice of the book-keeper. In the foregoing example of the Creamery Company it shows the amount of stock subscribed for, as it is credited for all shares allotted at the par value. If any shares are cancelled for non-payment of calls or any other cause, the Capital Stock Account would be debited and the Shareholder credited for the par value of the share or shares. The Stockholder's Account is then closed into Loss and Gain for the amount he has paid up.

A second method in dealing with this account is to make it show the amount of the unallotted stock that is held in reserve to be placed on the market at a future time. First an entry is made, such as—Capital Stock Dr. \$5000

To Franchise Account \$5000.

This \$5000 is supposed to be the full amount of the authorized capital. Then the entry—Shareholder Dr. \$500

To Capital Stock \$500

shows the allotment of shares, and the difference between the sides shows the amount of the unallotted stock—the Franchise Account showing the authorized capital—then the payment of calls are credited to the individual shareholder as before.

A third method is to ignore the subscription entirely in the General Ledger, and keep no Shareholder's Capital Account in it, but keep them in a Stock Ledger, and keep Capital Stock Account to show only the *Paid Up* capital. Instead of making the shareholder Cr. for his payments, such an entry as this is made—

Cash Dr. \$50

To Capital Stock \$50.

The Cr. of this will show the entire cash or working capital only. The ownership of the shares in this Capital would be determined by the Stock Ledger, which is sometimes kept by single entry. The liability of the shareholder on account of unpaid stock would be determined from the Stock Subscription Book and the Stock Ledger. This is not considered a commendable plan, especially when stock is to be paid up in instalments.

A fourth method is to call the account Net Capital instead of Capital Stock. It is credited with the payments on account of Capital just as in the third method, but at the end of the financial year the Loss and Gain Account is closed into it as into a single proprietor's Capital Account. If there has been a profit over the dividend this account will be credited with the surplus, and will show a sum greater than that actually paid up by the shareholders. If there has been a loss the capital will be impaired, and the balance of this account after Loss and Gain Account has been closed into it, will show the actual working capital remaining. The balance will therefore be equal to the Share Capital + the balance of profit, or the Share Capital - the amount of the impairment.

## Treasury Stock.

This is a title given to Stock that belongs to the Company. It may be any one of four kinds :—

(1) Stock that has never been subscribed for or sold, hence it never has left the Company. It may be sold any time the Company desires, if they can find a purchaser.

(2) It may consist of shares once subscribed for and allotted and partly paid up, but cancelled and taken in by the Company for non-payment of calls.

(3) Shares held at some time by stockholders, that have been either bought back because the Company wanted Treasury Stock, or because the owner wanted to sell them back to the Company.

(4) Stock held by the Corporators either in trust or otherwise representing some property of a very fictitious or speculative character sold by them to the Company. The holders return the stock to the Company to be sold to produce working or cash capital. Such returned stock, whether by purchase or donation, is called Treasury Stock.

The style of book-keeping and entries that produce an account of this kind are as follows: The stock we might assume is all Treasury Stock until subscribed for. Let us use the term *Treasury Stock* in place of the term *Capital Stock* that we have been using, then make an entry first of all for the entire authorized capital—

Treasury Stock Dr.

To Franchise Account

for the full amount of authorized capital—this brings it all into the Ledger. As the Treasury Stock Account on Cr. side shows the amount subscribed, and the Dr. side the total authorized capital, therefore the difference between the sides will be the unsold or Treasury Stock. There is no necessity for calling the account credited with the entire authorized capital, Franchise Account, though this is as good a title as any. It might be called Capital Account, or Authorized Capital Account, or simply Capital Stock Account. There is a question as to whether there is any necessity for opening an account with Treasury Stock, as it really has no value to the Company as an asset, until sold.

## The Par Value of Stock.

The Par Value or face value is the amount of the share as issued by the Company in compliance with its charter. The par value of shares in the majority of large corporations, such as Banks, Rail Roads, Telegraph Companies, &c., is \$100 per share—occasionally shares are \$200. In Loan Companies the shares are principally \$50. In Building Societies some are \$100, and more are \$200 shares, while in Mercantile and Manufacturing Companies the shares range from \$50 upwards to \$500 and \$1000.

## The Intrinsic Value of Stock.

The Intrinsic Value is the real value of the share when it is considered as regards the resources and liabilities of the Company to which it belongs. (1) In a newly formed

Company where the share is \$100, and only the first call of 10 % paid on it, its intrinsic value is \$10. If it is all paid up its value is \$100. (2) If the Company has been in operation some time, and the shares \$100 each, paid up; if the Company has a paid up capital of \$40000 and has made profits, and has \$10000 of such profits in Reserve Fund, the stock is really worth its face, and one quarter more, because the Reserve Fund is one quarter of the capital. The intrinsic value then is \$125 per share. (3) If on the other hand the losses have been great, the capital has been impaired to the extent of \$16000, then the shares have really depreciated in value 40 %, and a share in the capital is worth only \$60. (4) If there has been neither a depreciation nor an appreciation of the assets from their first value, the stock's par value would be its intrinsic value.

## The Intrinsic Value of Watered Stock.

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In case of "Watered" Stock, it is like anything else that is "watered," it becomes "too thin," metaphorically speaking, and is not worth its face. Suppose the Company above mentioned, with a paid up capital of \$40000, and a Reserve Fund of \$10000, increase its stock to \$100000, and issues fully paid up certificates to the shareholders for the new stock of \$60000, they paying nothing into the Company, the reserve being used as a payment on stock. The total net assets of the Company are only \$50000 to represent \$100000 of stock, therefore \$100 shares in the Company after the stock has been "watered," are only intrinsically worth \$50.

## The Market Value of Stock.

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The Market Value of Stock is the price it really sells for. This price may be above or below par. There are several circumstances that may help to regulate the price paid for shares.

(1) and prominent among the items that go to fix the market value of shares is the intrinsic value of the shares discussed in the foregoing item.

(2) The rate of dividend, and the regularity or irregularity of such rate. If a good or moderate rate is paid regularly, the stock becomes a desirable investment.

(3) The current rate of interest if lower than the rate of regular dividend, will make the shares sell at a premium, while on the other hand if the current rate of interest is higher than the rate of dividend, the shares will have a tendency to sell below the intrinsic value.

(4) If the Company possesses some valuable privilege or franchise that is likely to give special advantages and larger profits in the future, the stock will have an upward tendency.

(5) If the business of the Company is such as is likely to be permanent, and will likely pay well for a long time to come, the stock should be above par. While on the contrary if the undertaking of the Company is of a transitory nature, though good profits are expected, the stock will lack permanence as an investment, and this feature at least, will have a tendency to depress the price.

## Watering Stock.

This term is applied to all processes of inflation of stock beyond its real value. It is usually accomplished by allotting additional shares to the existing shareholders fully paid up, while in reality nothing was paid for it, or very little at least. It is resorted to usually where the government has reserved all profits made over and above a certain fixed rate per annum—that may be paid to the shareholders. To avoid paying such surplus to government they will increase the capital so that the rate of dividend may be kept under the maximum rate fixed by government. Suppose the Consumers' Gas Company, capital subscribed and paid up, \$100,000, is limited to 10% of dividend on capital to be paid to the shareholder. The management see that there will be profits large enough to pay 30 per cent. on the capital. In order to retain the profit in the company, suppose the capital subscribed and paid up is increased to \$200,000, there will be two ways of reducing the rate profits—(1) by the increase of the amount on which it is divided, and (2) by making up the impairment caused by the granting of the new stock, fully paid up, to the members.

The entries for the Stock Watering would be :

(1). Shareholders, Dr., \$100,000,	(2). Commission a/c., Dr., \$100,000,
To Cap. Stock, \$100,000.	To Shareholders, \$100,000.
For amount subscribed by the various Shareholders.	For amount credited to Shareholders so as to give them fully paid.

In entry 2, Commission a/c. is only a sample name. You might use "Impairment a/c.," or Bonus a/c. This takes charge of the impairment temporarily. In future years a percentage of the commission would be written into Loss and Gain a/c. every year, to keep the dividend under the maximum rate payable by law.

Suppose the profits for the year were \$30,000 in the foregoing example, and that an 8% dividend was what we wanted to pay, on the capital as increased the 8% dividend would be \$16,000. Now, 14% of the commission or impairment a/c. would be closed into Loss and Gain a/c., thus giving the shareholders really 30%, while only appearing to give 8%. There are many ways of doing this Watering process—in short, any fictitious issue of stock for the purpose of lessening dividends to a legal standard is Watering. The term is said to have originated with the late Daniel Drew, who sold great quantities of live stock in New York, and replied that he knew when and how to water his stock, in reply to a query of a friend asking how his cattle weighed so well.

## Stock Dividends.

It frequently occurs that the business of a corporate concern is prospering, and profits are being made, and yet it might not be advisable for the shareholders to withdraw profits on their shares as dividends. In other words, the increased trade requires increased capital to carry it on and make it still more profitable. In such cases a stock dividend is usually made to the shareholder, which increases the proprietary interest of each shareholder, but does not lessen the capital. There are three ways in which a stock dividend may be paid, as follows :

CASE 1. If the shareholders have not paid up their shares in full—suppose the case, that seventy-five per cent. of the shares taken were paid up, and there are plenty of profits



to pay up the remaining 25%, and that the dividend were to be taken in that way and none taken in cash. The transaction could be put through in two ways :

Dividend, Dr., \$500,  
    To Cash, \$500.

Cash, Dr., \$500,  
    To *Shareholders*, \$500.

or  
Dividend, Dr., \$500,  
    To *Shareholders*, \$500.

NOTE.—The term *Shareholders* is not a Ledger account heading in either case ; it is intended to represent the names of all the shareholders.

It is a matter of choice with the Book-keeper, Manager or Directors whether or not the dividend is put through Cash account.

CASE II. If the capital that is subscribed is all paid up, the shareholders could take up more stock—one or more shares each—and credit the dividends on the new stock as paying a call on it. The entry or entries would be just the same as in case 1, with the addition of the entry debiting the shareholders to Capital Stock for the new shares.

CASE III. If the subscribed capital were all paid up, and the company were going to pay a stock dividend by giving each shareholder a *fraction* of a share, fully paid, for a dividend on each share held—suppose a quarter of a share, or a 25% dividend. The entries would be the same as in case 2, only the Capital Stock entry would be less in amount, being only the amount of the dividend.

The entries should be put through the General Ledger to show the transaction fully and be entered up in the Stock Ledger, as indicated on pages 109-10.

If a book-keeper or manager is satisfied with an incomplete record, the entry Dividend a/c., Dr., To Capital Stock, may be made, and the amount only entered into the Stock Ledger as usual. We have not met many officers of companies that would be satisfied with anything less than the full entries, showing the transaction in the General Ledger.

## Proper and Improper Dividends.

A dividend is unlawful and improper when paid out of capital, or in such a way as to impair capital of a company. The meaning and spirit of the act is not that a company with an impaired capital is debarred from paying a dividend, but that the payment of the dividend must not be the transaction that produces the impairment. In other words, the dividends must be *paid from profits* and not from capital. A company might have a capital reduced one-half or a quarter by some impairment, and after all begin to make profits and pay dividends before restoring all the capital that was first lost in the undertaking.

Various are the schemes resorted to to pay dividends, in order to keep faith with some shareholders to whom promises of large profits were made, or to make the remaining shares of stock sell well, or to enable certain shareholders to dispose of part or all of their load of stock. If such stock is paying a good rate of dividend it will sell readily and bring a good price. We have seen companies pay a dividend out of capital, and recoup the impairment of capital caused by the payment of such dividend from the premium collected on stock that was sold immediately afterwards at a premium. It took the dividend to make it “go.”

## Improper Methods of Getting Profits for a Dividend.

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The following are a few of the means adopted to raise profits for a dividend when one should not really be paid—they are all more or less objectionable from a financial standpoint, illegal and fraudulent from a legal standpoint, and highly improper in their tendencies from a moral view point. We do not recommend them to be practised, but advise that they be guarded against by both the directorate and the general membership of every company :

(1). Charging payments to Property accounts and holding them as resources that should have been charged to allowances for running the business, and in that way come into Loss and Gain account. For example, suppose we charge \$300 of a bill of repairs and fittings for our machinery, to Plant instead of to Repairs a/c., it is added to the cost of our plant and allowed to increase it every year, when the amount should have been sent to Loss and Gain through "Repairs a/c." Another case we have frequently noticed is the charging of the repairs to a house to Real Estate a/c that should be sent to Loss and Gain through Expense or Repairs a/c

(2). The over-valuation of lands, stock, mines, patents, privileges, &c., has the same effect—it is a pretended increase when none really exists. The valuation is a matter of judgment, and a very easy hole to step out of any responsibility by claiming an error of judgment as an excuse for such over-valuation.

(3). Leaving out liabilities that should have been in and paid, or credited to the parties that have the claim, so as to be properly counted in, estimating the worth of the concern. We recollect a company that left out of its books over \$2,500 of liabilities and was talking of profits and dividends, whereas the company really had its capital impaired. Now, this not only occurs when Personal accounts payable are left out, but also when in recording the inventories of a company the person keeping or auditing the books neglects to put down all unpaid Rent, Taxes, Interests on Mortgages, Notes, Bills of Exchange, &c. He just neglects his duty, and makes out an incorrect statement of the standing for the company. The same is true if any Resources in the way of prepaid rent or taxes, or interest is not entered up, the profits are short the amount thus left out.

## Estimating for a Dividend.

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A little carelessness on this point sometimes causes some trouble, and sometimes costs the book-keeper his position. Suppose you are asked, as the book-keeper of a company, what the profits are? You take off a Trial Balance and extend the losses and gains from it and hand it to your directors. Now, this may be correct, and it may be very far wrong. Plenty of Liabilities and Resources may be left out of accounts, such as rent and salary earned, &c. Then the dividend is declared on this basis and paid, and the books do not show what was expected and you are called upon to explain by members or shareholders and directors how it is, and you begin with shamefacedness to say I did not estimate on this and on that and the other thing—and they see at once that you do not understand your work. When you submit such a statement be sure you estimate all current Liabilities and Resources not in the Ledger carefully, so that your

estimate may come very close to the real profit and standing at the date when the dividend is paid. If you prepare such an estimate carefully, with due regard to all the circumstances and probabilities and facts up to the date of payment of such dividend, you will not only have the confidence of your company and directors in your work as a book-keeper, but as a financier also, and you will be saved much vexatious questioning and explanations.

### Expense as a Resource.

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When anything was purchased for use in the business, such as a quantity of coal or wood, oil for machinery, &c., and this perhaps has not been all used when stock-taking time comes around, the full value of such articles remaining on hand should be made up by making an *Expense Inventory*. In closing Expense Account, when there is such an inventory, enter the amount of such Resource Inventory on the credit side and bring down the balance on the debit side of the account as a charge against the next term of business. The Expense a/c. will then be closed into Loss and Gain a/c. for the balance, which is the *real loss* for the current term.

### Office Furniture, Chattels, Books, Stationery, etc., a Resource

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What is true of the items usually charged to Expense Account as explained in the preceding paragraph, is likewise true of accounts with all such articles for the use of the business, as office furniture, chattels, books and stationery, horse and waggon for delivery, etc. Accounts with such articles in carefully managed businesses are kept separately, and when stock is taken an inventory is taken for all such accounts with "allowances." They are treated just the same as Expense Account, that is, the inventory entered on the Cr. side of the account and brought down on the Dr. side for the next term of business, and the balance of each, which is the *actual loss* on each account, closed into Loss and Gain.

### Interest and Discount, a Resource or a Liability.

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In order to ascertain the exact worth of any business when a balance sheet is being made out, a complete list or inventory of all interests receivable by the firm and payable by the firm should be made out, showing not only the interests *due*, but all *earned* or *accrued* and not yet due. All accounts and notes not due and not bearing interest are not worth their face at present, and therefore there would be an inventory of discount on them. When such inventory of interest and discount is completed it should be entered on the Cr. side of the account if a resource, and on the Dr. side if a liability, and then brought down on the opposite side of the account for the next term of business, showing a resource or liability according as it appears, when brought down, on the Dr. or Cr. side. The account may then be closed into Loss and Gain account for its actual loss or gain for the term of business just closed. If the various kinds of interest and discount are kept in separate accounts according to the source from which they come, such as Bills Receivable, Interest, Mortgage Interest, etc., a separate inventory should be taken for each.

When a person buys out an interest in a business great care should be exercised in making an inventory of interest and discount, and should such business have many personal accounts where goods were sold or bought on long terms of credit, the due date of such accounts should be found by equation of the accounts and the interest or discount to the date of settlement included in the interest inventory.

### **Rent Account a Resource or Liability.**

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Rent, as a term applied to the consideration agreed to be paid for the use of property, usually shows a loss or a gain—a loss if we are tenants, a gain if we are landlords. To the tenant there may be either a resource or a liability of rent. If my rent is paid for some time in advance when my balance sheet is taken that prepaid rent would be a resource and should be entered in my inventory book and treated as a resource inventory in the same way as any of the foregoing resource inventories. If at the time of taking the balance sheet there is rent earned but not yet due, it should be entered up in the inventory book and treated as a liability inventory by placing it on the Dr. side of Rent account and bringing it down on the Cr. side the same as any other liability when the account is ruled up. The account will be closed as usual into Loss and Gain.

If there is rent earned and due and unpaid at the time of taking a balance sheet it should be entered up by a journal entry charging Rent account and crediting the landlord personally. It would in this way be carried as a personal account, payable. It could, however, be carried as an inventory the same as rent not due.

In the landlord's case the rent accrued and not due would be treated as a resource inventory. Rent due and unpaid should be charged to the tenant's personal account, while rent paid in advance would be carried as a liability inventory.

### **Insurance as a Resource.**

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When we refer to insurance as a resource we do not mean the face of the policy; because we could only claim that in case of parting with our goods or property by fire. We do mean, however, the premium paid, or cost of the insurance. Suppose we insure our shop for a year at a cost of \$120 for premium on the first of February, on the first of March the "earned premium" on that policy is only \$10, leaving a resource of \$110 to be entered into the Inventory Book and carried into the insurance account on the Cr. side and brought down on the Dr. side against the next year's business.

### **Unclaimed Dividends.**

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It frequently happens that the owners of small amounts of stock neglect to call for their dividends when they are payable. Sometimes it is not convenient, and sometimes they are forgotten; sometimes they are far removed from the office of the company and their address unknown to the management of the company, so that their dividends cannot be sent to them. Occasionally investment has been made in a company that has not been able to make its undertaking pay. The shareholder gives up looking for a dividend, and counts his stock a loss, perhaps writes it off his books. A profit is made and a dividend declared and he knows nothing of it. A person holding stock dies. It takes some



time before he has a qualified legal representative, either an executor or administrator who can receive the dividend and give a receipt for it. In these and all other cases that arise where the dividend on any shares cannot be paid at the regular time, some account must be opened to take charge of such dividends. These unpaid dividends are a liability to the company, not an ordinary liability either that can in six years be barred by the statute of limitations. It is a proprietary liability the same as capital, and should the company be wound up all such unclaimed dividends must be deposited with the Government that chartered the company, and by it held in trust for the owner. From this it will be seen that strict account should be kept of all such dividends unpaid, and for this purpose "Unclaimed Dividend Account" is opened, which always shows a liability of the company. Some companies keep an Unclaimed Dividend Account for every dividend paid, and number them No. 1, No. 2, to correspond with the number of the dividend. This is scarcely ever necessary, as usually there are only a few transactions of this nature for every dividend. If the dividend is all paid out and sent by mail and one or more is returned it would be entered on the Dr. side of the Cash Book : "*To Unclaimed Dividend*, for M. C. Boyd's Dividend No. 1, returned, \$15." If the dividend has not been paid out because the persons cannot be found, then the Dividend Account could be charged through the journal with the unpaid portion, so that the proper balance of Loss and Gain Account of the company can be ascertained and to the Unclaimed Dividend Account credited to keep the liabilities correct, thus :

Dividend Account No. 1	-	-	-	-	-	-	-	-	\$45.00,
To Unclaimed Dividend Account	-	-	-	-	-	-	-	-	\$45.56,
For Dividend unclaimed per Dividend book, as follows :									
H. Smith, \$20 ; Thos. Taylor, \$10 ; Jno. Parker, \$15.									

When an unclaimed dividend is called for and paid the payment will be charged to Unclaimed Dividend a/c. If paid in cash on Cr. Side of Cash Book.

*By Unclaimed Dividend* John Parker's Dividend No. 1 paid to him \$15.00.

## Reserve Fund, Rest Account, Etc.

In Stock Companies it frequently occurs that there are more profits than it is desirable to distribute as a dividend or bonus. The question arises, what shall be done with such surplus profits? In what account should they be kept? Should cash or property to the amount of this surplus be separated from the ordinary property and assets of the company and made into a separate fund for special investment. In very few companies is there any special separation of the reserve, nor is it necessary, though in a few cases we have seen the surplus profits handed over annually and put in a separate set of books. We have frequently heard the intelligent shareholder say I see you have quite a surplus accumulated, where is the cash to represent this, and it is difficult to make him understand that this surplus profit is with the ordinary assets of the company and that if the excess of the company's resources over the current liabilities is greater than the paid up capital, that the difference is the amount of the accumulated surplus profits.

There are three general ways of treating this surplus of profits.

(1) To carry it forward from year to year as a balance at the credit of loss and gain account, the balance brought down each year being the accumulated profits to date from the beginning of the company.

(2) After the dividend is paid each year or half year as the case may be, the profits remaining over are written over or closed into an account opened for this special purpose. This account is variously named, Reserve Account, Reserve Fund Account, Rest Account, Surplus Account, &c. Any one of the above names is descriptive of the purpose for which it is kept. The entry would be Loss and Gain Dr. \$1876.40

To Reserve Account \$1876.40

(3) Another way is to write off the Loss and Gain account, an even Amount, such as \$1000, or \$10,000, or \$54 000, leaving the odd sums at the Cr. of Loss and Gain Account. This, it will be noticed is the practice of the Canadian Banks, as will be seen by the subjoined statement. The account being called "Rest."

If at any time the profits of the year are so small that the usual dividend cannot be paid from them, a portion of the reserve may be written back to loss and gain and the regular dividend paid and the shareholder's mind kept easy.

The following table shows the financial position of the various banks, as revealed by their latest reports, and containing, among other interesting columns, those giving the percentage of Rest to Capital, percentage of Profits to Capital and Rest combined, dividends and percentage of increase or decrease in Rest.

### SUMMARY OF BANK STATEMENTS.

Name	Capital	Rest	Net Profits 1891	Per cent. of net profits to capital & rest.	Credit to profit & loss		Dividend rate.	Amount added to Rest out of Profits	Per cent. of increase or decrease on Rest over 1890.
					1890.	1891.			
Montreal	\$12,000,000	\$6,000,000	\$844,999	4.6	\$794,728	\$439,728	10 %	.....	.....
Commerce	6,000,000	900,000	514,400	7.4	37,974	22,406	7 "	\$100,000	.12 $\frac{1}{2}$ I.
Merchants <sup>*</sup>	5,799,200	2,500,000	579,470	6.9	5,903	4,430	7 "	175,000	.07 $\frac{1}{2}$ I.
Quebec	2,510,000	500,000	190,792	6.3	96,589	112,382	7 "	.....	.....
Toronto	2,000,000	1,600,000	282,500	7.5	23,808	6,258	10 "	100,000	.06 $\frac{2}{3}$ I.
Dominion	1,500 000	1,350,000	220,400	7.9	6,253	6,676	*10 "	50,000	.034/51.
Imperial	1,556,710	778,300	220,800	9.5	48,020	50,750	*8 "	50,000	.11 I.
Ontario	1,500,000	280,000	130,100	7.	27,783	22,886	7 "	30,000	+.12 I.
Hamilton	1,206,850	600,000	145,124	7.7	10,317	4,714	8 "	56,900	.33 $\frac{1}{3}$ I.
Standard	1,000,000	500,000	117,500	7.8	11,961	14,464	7 $\frac{1}{2}$ "	40,000	.08 $\frac{3}{4}$ I.
Traders	600,000	35,000	54,437	8.5	1,384	5,192	6 "	15,000	.75 I.

\* 1 per cent. bonus.

† Last year their Rest was depleted one-half.

The following remarks by the Financial Paper "The Merchant" on the above statement, will be found to the point.

"On the whole, the reports presented at the annual bank meetings this year have been fairly satisfactory, although in some instances not being quite up to the usual standard. The net profits of the prominent banks, comprising those doing business in this city, aggregated \$3,300,522, against \$3,858, 302 last year—a decrease of \$557,780. The net earnings of the Bank of Montreal show a falling off of \$532,312, as compared with the previous year. The Merchants' and Commerce also show a small decrease in profits, the former by some \$25,000 and the latter by about \$10,000; the earnings of the Toronto

Bank were practically the same as in year previous; the profits of the Imperial were increased by \$21,765; the Traders' Bank profits show an increase of \$17,800; Hamilton, of \$2,300; while the following banks show a decrease in profits: Quebec, of \$32,200; Dominion, some \$28,000; Standard, \$7,584, and Ontario, \$3,478. Neither the Montreal nor Quebec Banks added anything to "Rest" account; the former bank carried forward very little over one-half the amount credited to profit and loss in 1890. The Commerce and Toronto each added \$100,000 to the Rest, and the Merchants', \$175,000; Dominion and Imperial each added \$50,000 to Rest; Hamilton, \$56,900; Standard, \$40,000; Traders', \$15,000 (75 per cent. increase), and Ontario laid by \$30,000 this year for reserve."

## Actual Value or Stock

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It will be noticed in this connection that a very particular reason why some stocks sell above par is the existence of a reserve fund. If for every dollar of paid up capital there is forty cents in reserve fund the real value of that stock is \$1.40 per share. In the case of the Bank of Montreal there is a rest of \$6,000,000 and a paid up capital of \$12,000,000 the stock is really worth \$1.50 for every 100 of par value.

On the other hand if there is no rest and the capital has been impaired by losses &c. say 25% the stock will only be worth \$75 per \$100 share.

Besides the items above mentioned that make the real value of shares greater or less than the par value, viz. the (1) Rest Account and (2) the impairing of Capital, there are other considerations that help to make stock sell above or below even the real value, or in other words make the market value differ from the intrinsic value of a share, these are—

(1) The rate of dividend usually paid. If it is high it will increase the market value, of the share and if low depreciate the market value.

(2) If the rate of dividend is variable, sometimes high and sometimes low, the uncertainty will likely lower the market value.

(3) The probable permanence of the investment. If the profitable business of the company is likely to be permanent it will increase the value of the shares, while on the other hand if the demand for the product of the company will terminate, or the supply of material, &c., run out or if there is a chance of opposition dividing up a profitable trade, the market value might be very much lower than the real value of the share.

## Cancellation of Stock.

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A Stock Company issues shares to its stockholders payable in instalments. This is the custom in almost all companies. Sometimes there is an understanding or an impression left with the subscriber that only ten, twenty-five, fifty, or sixty per cent. will be called, and though there was really no agreement that it would not be called up in full, there was an intention to try and get through with less than the total payment of the stock. Suppose the company is not very successful at the beginning, and they sink part of the capital they had, and requiring more, they levy another call. Many shareholders will say, "It is a losing concern and we will not throw good money after bad, we would rather lose what we have in it than pay more in and then run risk of losing all". They decline to pay up the unpaid



portion of the stock. There are now only two courses open to the company, first to sue and recover the balance of the stock by process of law if the shareholder is worth it, or second cancel the shares held on which full payment has not been made. Some companies choose the first course some the second, and some will collect all they can at law and then cancel what they cannot collect on as a last resort.

Now a company that cancels the shares of stock, should do it only after a fair and legal notice of call has been given to the shareholder warning him that his stock will be forfeited if he does not comply with his subscription to the Stock-Book then after due refusal to comply with the notice of call the shares should be cancelled in the same way as they were allotted. If allotted simply by resolution of directors, another resolution is sufficient to cancel them. If they were allotted by by-law then a by-law must be made to cancel them.

The book-keeper will make an entry writing back the shares to the Company with Capital Stock Account and then close the Shareholders Account into Loss and Gain.

(1) For cancelling five shares of stock of \$100 each standing in the name of J. W. McLelland.

Capital Stock Dr. \$500
To J. W. McClelland (Share Account) \$500

(2) Entry closing the account into loss and gain if \$200 had been paid upon the stock.

J. W. McClelland (Share Account) Dr \$200
To Loss and Gain \$200

It will be noticed by the above entries that the cancelled capital comes into the loss and gain account on the credit or profit side. It becomes a profit to the company because the liability of the company back to the shareholders is decreased to this extent. If the company were to go into liquidation there would be a greater percentage for the remaining shareholders, in other words the paid up capital of the cancelled stock is simply appropriated for the benefit of the shareholders that remain in the concern, thereby increasing their financial interests.

Then in case of profits being made and a dividend paid they have an additional advantage, the paid up capital will be smaller and with a given amount of profits the dividend will be greater thereby giving a double advantage first the direct profit accruing from the cancellation, and second, the increased rate of dividend because there is less Share Capital to divide on.

## Freezing Out Shareholders.

The "*Freeze out*" proceeding is American in name at least. It is any process or proceeding financial or otherwise done on the part of a section of the shareholders to make another part of the shareholders uncomfortable and wish to get out and so part with their financial interests at a sacrifice. It is when one or more shareholders take advantage of some circumstance or make a circumstance that will put the remainder of the shareholders at a disadvantage in some way. It is made either unpleasant or unprofitable for them or both. We do not introduce this section to commend this kind of proceeding, because it usually is not honest; but just by way of caution to those investing. We do not pretend to give all the ways in which it is done, only a few of them.



(1) Many persons will take stock in a scheme that has flashing prospects expecting to get large returns and take more stock than they *can carry*. More than they can really pay the calls on. When others find these *overloaded* people who cannot pay up the calls they sometimes crowd them by bringing on calls rapidly, and then either make these people sell at a great reduction or cancel their shares entirely. A caution in this connection is hardly necessary, but here it is ; Don't take more stock than you *know* you can carry comfortably.

(2). A company is expected to make large profits, but the management by some process of keeping accounts conspire to divert the profits into some account, or pay them out as salaries, or place them in "Rest" account, or dispose of them in some way, instead of paying them out to the shareholders as dividends. The shareholders get weary waiting for dividends or profits, until they sell out at a sacrifice to those who want control, and all the profits accumulated and to accumulate in the company for themselves.

(3). Some one or more shareholders engage some one else to put the company in a bad position, financially or otherwise, and so scare some shareholders out. In mining companies the stock is put up and down to suit the manipulators by reports on the mines, and by bad reports shareholders are encouraged to quit paying calls, the shares being either sold at a discount to some one who wants them, or confiscated by the company, generally by being cancelled.

(4). We remember a case where the manager and accountant organized three outside concerns to purchase from. They managed three "paper companies": an importing company ; a baking powder company ; and an ordered clothing company for *themselves*, with their wives as partners as intermediaries to take cash discounts really due the Company that really had them engaged and paid them a salary. They likewise bought from these "Paper" companies and invoiced on their Account, headings, articles really bought by the real Company but at an advanced price leaving a margin in their "paper" company for themselves on every transaction. This conspiracy was discovered but only after the shareholders had got tired waiting for dividends and had two-thirds of their paid up capital used up by their own officers. Such cases are punishable at law but what if they are not discovered.

(5) Processes of blocking business or rendering it disagreeable by quarrels, suits, etc. mismanagement etc., are frequently made causes to invite some shareholders to leave the Company for the advantage of others.

These are all processes of conspiracy about which no honest book-keeper has anything but condemnation to offer and the book-keeper who manipulates the books or does anything else to aid such a conspiracy is guilty, and is criminally, as liable as those who plan and carry out any such scheme. Though he only made such entries or reports on the order of his superiors he is still liable and nothing that his superior officers may say about taking the responsibility can relieve him.

## Impairment of Capital and Organization Account.

It sometimes happens that the organizers of Companies spend large sums of capital in commissions to those who procure subscriptions to stock, travelling expenses for such persons, the pay for the services of engineers, surveyors, experts of various kinds, etc., for

which they have no real or personal property. The cash has gone, but no tangible resource has been left in its place. Valuable services have been rendered, but they were not of that productive kind that leaves property in their place. In plain English the cash capital has been *impaired* to the amount of such expenses. This is the case in almost all large life insurance, fire insurance, and loan companies at the beginning, as well as with many manufacturing companies. Large sums have to be expended in the establishment of agencies, etc.

It is the practice of many companies to close all accounts for expenditures that are not represented by real or personal property that are made, up to the time when the company gets into working order, into some such account as "Organization Account," or "Organization Expense Distributing Account," and spread this expense over a term of five or ten years, charging a percentage each year against the profits until it is wiped out. It will be noticed in the Resource and Liability statement on page 168 that such an account is carried as a resource or an asset of the company. It will no doubt be thought a rather indefinite asset for a company. It is however a tax or mortgage in advance on the profits for some years to come. This really regulates the way that the impairment of capital is to be made up. There is no special reason why the account might not have another name. These are suggested as being explanatory of the nature of the account. We have seen such accounts kept as "Sinking Fund Account," "Commission Account," etc.

Some would suggest that this expense that has resulted in the impairment of the capital could be carried on the debit side of Loss and Gain Account and brought down from year to year; but it would not be so done in partnership accounts—it would be charged directly to the Capital Accounts. In the corporate concerns the shares are kept at their face value and the impairment should be carried in an account for that purpose. Call it "Impairment of Capital Account" if you like. It is far better to keep such an account than to put fictitious values on assets to show that the capital is not impaired when it really is so.

There is still another reason why this impairment should not be left in Loss and Gain Account. The Loss and Gain Account is really the receptacle for *current* profits and losses. There is a clause in the law that governs corporate companies in almost all places where they can get incorporation, that says in so many words or in effect that no dividends shall be paid out of *capital*, or in such a way as to impair capital. This being the case the carrying of the impairment in the Loss and Gain Account would appear as though the loss of capital were made the current term, whereas it was made before the last annual settlement and balance sheet, or perhaps behind several balance sheets. To pay a dividend out of Loss and Gain Account with the impairment of other years brought forward as a current charge against it would seem, at least, to be paying dividend out of capital. By keeping the impairment in Loss and Gain Account it has never been charged against capital.

It is suggested, perhaps, that the impairment of capital should first be made up out of profits before a dividend is paid to shareholders; but shareholders will not always wait that long for their dividends; in fact, in the majority of cases they say, Pay us profits on what capital we have left—the unimpaired portion—and leave the making up of the first loss until plenty of profits are made.

## Inventory Book.

The books of every business are usually squared up once a year. A Balance Sheet is made out and some or all accounts closed, thus marking the condition of all such accounts as are closed at the time of such balance. There are numerous accounts that, by the ordinary entries, do not show the complete results of the business for the term closing, nor the assets or liabilities that they should carry forward to the next year. Such accounts require something written into them that is either a resource or a liability to show the loss or gain for the year or term closing. This is usually an *inventory*, and there should be a complete record of such items as constitute that inventory in a proper book, and such Inventory Book should be carefully kept in a safe or vault, or other place of security from fire. It is of untold value in case of loss by fire in a settlement with an insurance company, as well as a satisfaction to every careful property owner.

This book should contain a yearly or half-yearly record of all Resource and Liability Inventories not shown in the Ledger. Among the various Resource Inventories we might mention the following :

### Resource Inventories.

- (1). *Merchandise a/c.* : All goods or merchandise in stock.
- (2). *Furniture and Fixtures a/c.* : All property now on hand charged to that a/c.
- (3). *Fuel and Light a/c.* : All wood, coal, coal oil, &c., in stock.
- (4). *Books and Stationery a/c.* : The present value of books, &c., unused.
- (5). *Machinery and Tools a/c.* : A list of all articles belonging to such a/c.
- (6). *Live Stock a/c.* : A complete list of all horses, cattle, sheep, &c., on hand.
- (7). *Real Estate a/c.* : The present value of all properties held.
- (8). *Stocks and Bonds* : The market and face value of all such securities.
- (9). *Rent a/c.* : (a). A list of all rents due and unpaid.  
(b). " " accrued not due.
- (10). *Interest a/c.* : (a). The sum of the amounts of all interests due and unpaid on Mortgages, Bills Receivable and Personal Accounts Receivable.  
(b). All amounts of interest on said Bills, Mortgages and Accounts bearing interest and accrued but not due.  
(c). A list of discounts on all Bills Payable not bearing interest entered at their face value and not yet due.
- (11). *Shipment a/c.* : The present market value of such goods as your own that have been sent by you for sale on commission.

### Liability Inventories.

- (1). *Rent a/c.* : (a). Unpaid rentals due by us and unpaid.  
(b). Rents accrued but not yet due.
- (2). *Interest a/c.* : (a). All interest due and not paid on Notes, Mortgages and Accounts, Payable.  
(b). All sums of interest accrued and not due on Bills and Mortgages Payable and Accounts Payable.  
(c). A List of discounts on all Bills and Mortgages Receivable not bearing interest, entered at their face as resources and not yet due.



The foregoing Resource and Liability Inventories should be carefully made up and recorded in the inventory book, especially the interest items. Very many business men omit this item entirely, taking everything at its face. In order to find the true standing of a business, all the Personal Accounts, both payable and receivable should be equated, and a list of such with their equated due dates, time, and interest or discount, should be made. It is not sufficient to calculate interest or discount only on the Commercial paper and mortgages in making up inventories for the interest account.

No special form of book is necessary—an ordinary day book or journal does very well as there is considerable space for explanations (which should be full and explicit) and money columns in which to make up the amounts. A separate space should be kept for the inventory of each account, and in case of interest or other accounts having various divisions, each of the inventories should have division of the inventory book for itself.

## Financial Statements.

There are a great many varieties of financial statements published, as to the form and arrangement. Usually, however, there are only three kinds, viz., Resource and Liability statements, Loss and Gain statements and statements Receipts and Payments of Cash. Sometimes a company will publish all three kinds at once—usually two, sometimes only one. Where the company is a trading corporation, such as a Joint Stock Company, formed for the purpose of making profit for the shareholders, it would be expected that a Loss and Gain statement would be made to show the profits from various sources and the losses and expenses. This statement shows the progress of the business. The Resource and Liability statement is made to show the actual standing on a certain day.

In a non-trading corporation, such as a Town, a Township, a County, an Hospital, a Church, a Benevolent Society, a Mutual Insurance Company, &c., the Receipts and Payments of cash are the important facts required by the interested parties, 1st, to see from whence the funds come, and 2nd, to see that they are properly disposed of. A statement of Receipts and Payments of cash will supply this information. This is the kind of statement always issued by such institutions. A Loss and Gain statement is only made where business is run for profit. It is further necessary to present a statement of Resources and Liabilities to show the exact financial standing at a particular time. Now, to sum up :

- |   |   |
|---|---|
| A Corporation for making profit issues  | { A Loss and Gain statement,<br>A Resource and Liability statement.               |
| A Corporation for public benefit issues | { A statement of Receipts and Expenditures<br>A Resource and Liability statement. |

The statements published by all corporations should be fully explained in words so clearly that the most unsophisticated shareholder could understand exactly what is meant by it. Suppose we submit a Trial Balance to the average shareholder in any ordinary company, what would he understand from it. If we make extensions from it the same as an accountant usually does for a balance sheet, in what better position would the ordinary shareholder be, who is uninitiated in the "mysteries" of Double Entry, to judge of the progress of the company during the year.



In the case of towns, villages, &c., it is equally essential to describe clearly from what sources the revenue is obtained and how it is disposed of. It is, therefore, very proper for officers doing the business or auditing it to present a full statement for the purpose of explaining the financial transactions, and not an ambiguous production to cover up indiscreet or illegal expenditures of the funds.

## Loss and Gain Statements.

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The Statement of Losses and Gains is one that belongs entirely to Double Entry work. It really cannot be made in Single Entry, as the loss and gain in Single Entry is ascertained not from the various items of Losses and Gains, but by subtracting the capital at a former period from the capital now, if there has been a gain, and by subtracting the present capital from that at a previous term, if there has been a loss.

Statements of losses and gains are sometimes called "Profit and Loss" statements. The term Loss and Gain is the modern term used, because in the Ledger account with losses and gains the losses all appear on the Dr. side and the gains on the Cr. side. If we write a Ledger heading Profit and Loss over this account the word Profit will be over the side containing the losses and the word Loss will be directly over the side of the account where the gains are collected, creating confusion, at least in the mind of the learner.

The Loss and Gain statement should be an analysis of the Loss and Gain account, giving a reasonable explanation of all the sources of profit, so that the shareholders and directors may know which are the profitable departments of the business and of the disposal of the profits. The profits may be used up, so to speak, in four ways: 1st, by having losses on some speculative accounts; 2nd, by the running expenses of the business, such as salary, rent, fuel, &c.; 3rd, by being paid out to the shareholders as dividends, which really amounts to paying them interest on the capital invested; and 4th, by placing it in a Reserve Fund or Rest Account. Frequently all four are in the one statement.

There are two ways in which Loss and Gain statements are made. The first is to simply present a statement of the actual losses and gains for the term of business, without reference to what was the condition of the account before; and the second method is to show any balance of profit or loss that remains from a previous term of business, and show the actual balance of profit carried forward to another year or the balance of loss that is to stand against the revenue of the incoming year. The following statement is a real one of the Ontario People's Salt Manufacturing Company (Limited), at 30th May, 1892. We give it as it refers only to the current financial year, the first kind of a statement, and afterwards as showing its relation to the year past and the one to come. We select this example on account of it beginning with a balance of loss carried down from a previous year and ending with a balance of profit carried forward to another year, and likewise because of a certain item of organization expense that we wish to refer to again in this volume.

# ONTARIO PEOPLE'S SALT MANUFACTURING COMPANY (Limited).

## Statement of Profits and Losses for the Financial Year. Ending May 30, '92.

LOSSES.		PROFITS.	
Wages of Workmen.....	£1,657 91	Profits on Sales of Fine Salt.....	\$7,640 20
Salary and Auditing .....	763 33	“ “ Coarse salt .....	3,896 36
Directors' Fees.....	49 00	“ “ Land Salt .....	915 84
Interest and Discount .....	154 11		
Barrels .....	1,239 79		
Bags .....	844 36		
Real Estate, written off .....	425 00		
Chattels and Office Furniture .....	95 30		
Postage .....	30 76		
Telegraphing .....	11 95		
Petty and Legal expenses.....	27 85		
Printing, Books and Stationery .....	22 25		
Rent, Insurance and Taxes .....	317 48		
Coal .....	1,358 00		
Coal—Freight .....	820 29		
Coal—unloading .....	260 32		
Coal—Duty and Harbor Dues .....	147 10		
Travelling Expenses.....	63 40		
Repairs .....	183 18		
Balance being profit .....	3,981 02		
	<hr/>		<hr/>
	\$12,452 40		\$12,452 40

The foregoing statement deals only with the profits made in the course of the business of the year and the losses caused by the expense of carrying on the manufacturing business of the company. The following is the same statement, giving its relation to what went before and what follows after :

# ONTARIO PEOPLE'S SALT MANUFACTURING COMPANY (Limited).

## Statement of Profits and Losses for the Financial Year. Ending May 30, '92.

LOSSES.		PROFITS.	
Balance of loss from last year .....	\$ 913 74	Profits on sales of Fine Salt.....	\$ 7,640 20
Wages .....	1,657 91	“ “ Coarse Salt .....	3,896 36
Salary and Auditing.....	763 33	“ “ Land Salt.....	915 84
Directors' Fees .....	49 00		
Interest and Discount .....	154 11		
Barrels.....	1,239 79		
Bags .....	844 36		
Real Estate, written off .....	425 00		
Chattels and Office Furniture, written off .....	95 30		
Postage .....	30 76		
Telegraphing .....	11 95		
Petty and Legal expenses.....	27 85		
Printing Books and Stationery.....	22 25		
Rent, Insurance and Taxes .....	317 48		
Coal .....	1,358 00		
Coal—Freight .....	820 29		
Coal—unloading .....	260 32		
Coal—Duty and Harbor Dues .....	147 10		
Travelling Expenses .....	63 40		
Repairs .....	183 18		
Organization Expenses, 10% written off .....	369 60		
Dividend No. 1 at 5%.....	1,377 50		
Balance of profits carried forward to next year .....	1,320 18		
	<hr/>		<hr/>
	\$12,452 40		\$12,452 40

From the foregoing statement it will be gathered that the directors of the company require considerable detail of the expense of manufacture. This is very useful for comparison of one year with another, and so that in case of loss the exact location of the extraordinary expense may be readily discovered. Attention is drawn to the item of organization expenses on the Dr. side. This is an indication that the capital has been impaired by the expenses of forming the company and getting into working order, and that the impairment is to be wiped off in ten years by taking a portion of the profits each year for that purpose. See reference to this elsewhere in this book.

## Statements of Resources and Liabilities.

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This statement, sometimes called a Statement of *Assets* and Liabilities is the one that shows the standing of the company or corporation with those that have any unadjusted dealings with it, and of the property owned by the concern at a certain date. This is the only kind of statement that can be made from books kept by single entry, and in single entry it is used to find the net worth, as the net worth is always equal to the amount of the excess of the Resources over the Liabilities the gain or loss in the Single Entry being found by comparison of the present worth and that at some time before.

In Joint Stock Company work there are two kinds of Resource and Liability Statements differing in the way the capital is regarded. (1) The creditor's view. He regards the amount of the subscribed stock as indicating the financial strength of the concern and would treat the unpaid portion of the subscribed capital as a resource, because in case of loss of the working capital he as a creditor could collect at law from each shareholder the amount subscribed for and not already paid up—so far as he is concerned it is a valuable resource of the company.

(2) The shareholder, while he knows that the creditor's view of the capital is correct in case of financial trouble in the company, yet he has a proper idea as regards his connection with it. He says, I have invested so much capital in this concern, and he treats the amount of his paid-up capital in the company as a liability of the company to him. If the company voluntarily goes into liquidation his share in it would be returned to him, and if the company continues he can sell his interest to some person, and thus realize the amount of his investment with accumulated profits added, or less the amount that it is impaired by losses. The latter style of statement will show the exact position of the capital as regards impairment, by losses or increase by profits carried at the credit of loss and gain, or in Reserve Fund or Rest Account, while the former is made to show the entire available capital of the concern, both in "working" or cash capital and in stock subscriptions unpaid.

The following is a statement made from the view point of the creditor of the company. Compare it carefully with the one that follows it, which is the same statement made from the standpoint of the shareholder.

## ONTARIO PEOPLE'S SALT MANUFACTURING COMPANY (Limited).

*Statement of Resources and Liabilities, taken May 30th, 1892.*

RESOURCES.		LIABILITIES.	
Due from sundry persons .....	\$ 792 18	Bills Payable.....	\$ 750 00
Cash in bank and on hand .....	2,981 88	Interest on above not due.....	40 00
Real Estate—estimated value .....	18,800 00	Rent accrued not due.....	71 22
Salt in stock at works.....	2,909 58	Balance Assets over Liabilities .....	28,093 79
Barrels and materials for same.....	267 14		
Bags on hand .....	39 02		
Oil and other supplies in Expense a/c .....	13 95		
Coal on hand .....	10 00		
Chattels, tools, etc.....	467 45		
Office furniture and fixtures.....	44 15		
Books, stationery, etc.....	12 00		
Insurance—unearned premiums .....	67 66		
Unpaid capital stock .....	2,550 00		
	<hr/>		<hr/>
	\$28,955 01		\$28,955 01

In the foregoing statement the reference to capital is on the Resource side. In the subjoined statement the ordinary resources are found, and along with the Liabilities the capital is treated.

## ONTARIO PEOPLE'S SALT MANUFACTURING COMPANY (Limited).

*Statement of Resources and Liabilities, taken May 30th, 1892.*

RESOURCES.		LIABILITIES.	
Due from sundry persons .....	\$ 792 18	Bills Payable.....	\$ 750 00
Cash in bank and on hand .....	2,981 88	Interest on above not due.....	40 00
Real Estate—estimated value .....	18,800 00	Rent accrued not due.....	71 22
Salt in stock at works .....	2,909 58	Paid up capital .....	27,550 00
Barrels and materials for same .....	267 14	Balance of profits carried forward at	
Bags on hand .....	39 02	credit of Loss and Gain a/c.....	1,320 18
Oil and other supplies in Expense a/c .....	13 95		
Coal on hand .....	10 00		
Chattels, tools, etc.....	467 45		
Office furniture and fixtures.....	44 15		
Books, stationery, etc.....	12 00		
Insurance—unearned premium .....	67 66		
Organization a/c .....	3,326 39		
	<hr/>		<hr/>
	\$29,731 40		\$29,731 40

The above statement of the Resources and Liabilities of the company is from the standpoint of the shareholder. All Resources must appear, whether real like Cash, &c., or fictitious like the last item—Organization Account, which is an account that pledges the profits of future years for the repayment of the amount of the capital that has been lost. The Liabilities are of two kinds; first, those to the ordinary creditors of the company, whether held by note mortgage or book account; and second, Proprietary, that is, the capital and any surplus or reserve which is really the amount the shareholders would receive in case of liquidation.



## Statement of Receipts and Expenditures of Cash.

This kind of statement is always published by all *non-trading* corporations, such as Townships, Towns, Cities, School Sections, Counties, Benevolent Societies, Mutual Insurance Companies, Churches, Hospitals, and Public Trusts of all kinds. In such concerns the whole business is usually covered by the cash transactions; therefore this statement contains the business done, and the statement of Resources and Liabilities gives the actual standing of the corporation with the public generally at its date.

Some trading corporations publish such statements of Receipts and Expenditures as well as statements of Losses and Gains and Resources and Liabilities.

The statement of Receipts and Expenditures in a trading company is not very necessary, and sometimes it muddles and mixes the brain of the unsophisticated shareholder who finds that the Receipt and Payment statement in some items agree with the Loss and Gain statement, while others differ materially. They may agree or they may differ in any item common to both. The presence of an inventory on Merchandise or Expense or any speculative account brought down from a former year, a cross entry between accounts, a quantity of material charged to an *Allowance* account and not used but carried forward as an inventory to another year; also the Inventory of Merchandise or any other speculative account carried forward, are all circumstances that will make these statements differ in the items that are naturally common to both. Take for example our Books and Stationery account—balance brought down from last year, say \$200. Suppose that during the last year many new books had been purchased and very little used and a large supply of stationery was left on hand. The current year only \$60 was paid for books and stationery, but as comparatively little was purchased, the books and stationery will be low in value, say \$75.00. Now, the payment on this account is \$60, while the loss is \$185.00. How could the two statements be expected to agree? Yet we have seen a prominent shareholder almost overturn the whole management of a large manufacturing concern, where there were about 500 shareholders, because the statements would not agree. He charged the management with embezzlement, fraud deception, mismanagement, and almost everything else. It was only after nearly two days' fighting that he could be convinced that he was wrong, and that only by obtaining independent expert testimony, and made to eat "humblepie"

The statements of Receipts and Payments of municipal corporations, such as Towns, Townships, Counties, must be published item by item as they appear in the cash book—every separate receipt of cash and payment of cash, and the source received from and the person paid to. This is really a publication of the Cash Book. In almost all other corporations simply an abstract of the Receipts and Payments is published and the items are not given.

The first item on the side of Receipts will be the "*Balance of Cash on hand and in Bank from last Statement.*" Added to this are the receipts of cash from all sources. On the opposite, or Expenditure, side will be all the payments of cash, and last of all the item "*Balance of Cash now on hand and in Bank.*" The old balance + the Receipts = the Payments + the balance now on hand. The accountant should be very clear on this point, especially in making audits. He should be careful to see that his statement

includes all the receipts and all the payments— that the Treasurer accounts for all the cash he handled and produces a voucher for all his payments. . He should see that no vouchers are used twice, and that the Treasurer has cash really on hand, by actual count, to amount to the balance on hand per statement.

The statement should be expressed in language so plain that every person interested will readily understand it. Do not introduce ambiguous or doubtful terms into a statement to cover up any peculiar payments. All such statements are intended to explain the Receipts and Payments, and not to mystify the reader and mislead him in his conclusions regarding them.

The following is a sample statement of Receipts and Payments. It is one published by a manufacturing company, and the various headings under which the payments are classified, are fixed by order of the Board of Directors :

### ONTARIO PEOPLE'S SALT MANUFACTURING COMPANY (Limited).

#### *Statement of Receipts and Expenditures of Cash for the Financial Year, Ending May 30, 1892*

RECEIPTS.		EXPENDITURES.	
Balance of Cash on hand and in Bank from last statement .....	\$2,068 93	Postage .....	\$ 30 76
Calls on Stock.....	55 00	Insurance, Rent and Taxes.....	319 90
Sales of Salt.....	12,267 40	Permanent Repairs to Real Estate..	225 00
Sales of Trucks, &c.....	28 00	Repairs to Machinery, &c.....	183 18
Sales of Coal.....	517 15	Printing, Books and Stationery.....	19 25
		Telegraphing .....	11 95
		Travelling Expenses.....	63 40
		Expenses (Petty and Legal).....	26 41
		Tools and Chattels .....	47 60
		Wages .....	1,657 91
		Salary, Directors' and Auditor's Fees, &c .....	812 33
		Interest and Discount.....	150 89
		Loans repaid (Promissory Notes)...	1,000 00
		Mortgage repaid .....	500 00
		Barrels for Salt .....	1,408 08
		Bags for Salt.....	1,016 33
		Coal Account (the first cost) .....	1,876 40
		Coal—Unloading .....	260 32
		Coal—Freight .....	820 29
		Coal—Duty and Harbor Dues .....	147 10
		Dividend No.1 at 5%.....	1,377 50
		Balance of Cash on hand and in Bank.	2,981 88
	<hr/> \$14,936 48		<hr/> \$14,936 48

### Comparative Statements.

Almost all companies make comparative statements, that is, they place together, for example, the sales of the last four years or the last two years by months to compare the volume of business, or by placing together the expenses for a series of years for comparison. For example, in the daily papers every month we see statements of the earnings and expenses of the great railway companies.

*Comparative Statement of Earnings, Expenses and Surplus  
for July, 1890-1.*

	EARNINGS.		EXPENSES.		SURPLUS, 1890-1.
	1891	1890	1891	1890	
C. P. R.	3,624,096	3,114,623	3,264,381	3,000,650	359,715
Grand Trunk	4,263,724	3,784,176	3,678,410	3,406,232	585,314

The above is a comparative statement in two senses, 1st as to the month of July in the years 1890 and 1891; also of the relative business done by each company. Almost all merchants make weekly and monthly summaries of their sales, expenses, cash receipts, etc., and habitually compare one month with another and one year with another. There is no great difficulty in this, the footing of the Sales Book, the Cash Book, the Invoice Book, etc., carried forward for a month will give monthly totals. The business man who keeps careful records and compares monthly results or weekly results, like the careful physician who regularly counts the pulse of his patient and has regard to its strength and regularity—always has the condition of his business in mind and knows exactly how to meet his business troubles, in fact he anticipates them. He knows how far to go in his purchases, and knows better how far to allow his sales on credit to go in safety. He learns how times and seasons affect his trade, and very soon gets to know just about what his trade will be for a certain month in the year.

The making of such statements does not need any special direction. They can be made very easily by any book-keeper or proprietor who will just go to the trouble of adding his books.

## Various Propositions *re* Resources and Liabilities.

The following statements of equality between the Resources and Liabilities will be found to cover almost all cases that are likely to come before the ordinary book-keeper. We use the arithmetical signs + plus and - minus and = equality to denote the relation between them. The term *Assets* is used in this connection, as it is shorter and means the same as Resources.

### Shareholders' View-point.

- (1). Where no profit has been set aside nor capital impaired :

$$\text{Assets} = \text{Liabilities} + \text{paid up Capital.}$$

- (2). Where surplus profits have been set aside as a reserve fund :

$$\text{Assets} = \text{Liabilities} + \text{paid up Capital} + \text{Reserve Fund.}$$

- (3). Where Capital has been impaired :

$$\text{Assets} + \text{Impairment of Capital} = \text{Liabilities} + \text{paid up Capital.}$$

- (4). Where Capital has been impaired previously, but now a balance of profits is carried forward in Loss and Gain Account :

$$\text{Assets} + \text{Impairment of Capital} = \text{Liabilities} + \text{paid up Capital} + \text{balance of profits carried in Loss and Gain.}$$

(5). A company would be insolvent from the shareholders' view-point when all the paid up capital is used up—that is, when the ordinary assets, exclusive of unpaid Stock, would be insufficient to meet the liabilities.

$$\text{Ordinary Assets} - \text{ordinary Liabilities} = \text{Insolvency.}$$

### From Creditors' Standpoint.

In the following propositions the ordinary assets, or Cash assets, as they are sometimes called, are separated from the unpaid Capital :

(1). Where Capital has not been impaired nor profits set aside in Reserve Fund :

$$\text{Assets} + \text{Unpaid Capital} = \text{Liabilities} + \text{Subscribed Capital.}$$

(2). Where surplus profits have been made and placed in Reserve Fund :

$$\text{Assets} + \text{Unpaid Capital} = \text{Liabilities} + \text{Subscribed Capital} + \text{Reserve Fund.}$$

(3). Where the Capital has been impaired :

$$\text{Assets} + \text{Unpaid Capital} = \text{Liabilities} + \text{Subscribed Capital} - \text{Impairment of Capital.}$$

(4). A company is insolvent from a creditor's standpoint when the liabilities exceed the sum of the ordinary assets and the unpaid Stock :

$$\text{Ordinary Assets} + \text{Unpaid Capital} + \text{Net Insolvency} = \text{Ordinary Liabilities.}$$

### Sundry Propositions.

(1). Working capital is the available net worth of the company.

$$a. \text{Assets} - \text{Liabilities} = \text{Working Capital.}$$

$$b. \text{Working Capital will equal} \begin{cases} \text{Pd. up Capital} + \text{Accumulated Profits} \\ \text{or} \\ \text{Pd. up Capital} - \text{impairment of Capital} \end{cases}$$

c. *Subscribed capital - paid up capital = amount for which Shareholders are liable for in respect of unpaid Stock.*

The student will do well to consider the foregoing propositions carefully, and work out an example or two of each kind, so as to be familiar with them. Each one of the various propositions could be placed in from three to four different ways by changing their places in the equation. In the same way that an ordinary simple proportion problem in arithmetic may be stated in as many ways as there are terms in the proportion, so these propositions may be stated in as many different ways as there are *parts* in them.

### Amalgamation of Companies.

It is not an uncommon occurrence for two companies that have been running opposition for a time, when they find that cutting prices with one another does not pay, to join their forces and amalgamate, and make one strong company without opposition. Sometimes one company buys up a controlling interest in the stock of the other. Not



itself, as one company is not allowed by law to speculate in the shares of another corporate company, but through individual shareholders, get control of a majority of the stock. Sometimes a Company gets so run down in trade, and so impaired in capital, that it is glad to capitulate and take an interest in the other company for its shareholders in place of the diminishing assets representing the shares in the company.

Suppose the Simcoe Manufacturing Company is being absorbed by the Wilson Manufacturing Company, Limited. There are three conditions, in one of which the Simcoe Manufacturing Company must be financially. Part of the entries will be the same in each case, so we will give entries for one case in full, and the variations so as to adapt other conditions. The condition of the Simcoe Manufacturing Company must be :—

- (1) Capital just the same as invested—just worth 100 cents in the dollar.
- (2) Capital impaired by being lost in business and the capital worth less than face.
- (3) Capital increased by accumulated Reserve Fund, and therefore worth more than par value.

CASE I. The Simcoe Company to be taken over—shares are worth par. Its assets are to go to the Manufacturing Company, and shares fully paid up to be issued to the shareholders of the Simcoe Company. The Wilson Company to assume the Simcoe Company's liabilities. We give both the Companies' entries. The following is their statement. The subscribed capital is all paid up.

*Statement of Assets and Liabilities of the Simcoe Manufacturing Company, Limited, at January 1, 1892.*

ASSETS.		LIABILITIES.	
Cash on hand and in bank	430.00	Bills Payable	4760.00
Real Estate	2000.00	Personal Accounts Payable	2800.00
Bills Receivable	2620.00	Paid up Capital	10000.00
Plant, &c.	6200.00		
Merchandise Inventory	5860.00		
Personal Accts. Receivable	450.00		
	<hr/>		<hr/>
	\$17560.00		\$17560.00
Simcoe Manufacturing Co.'s entry No. 1.		Wilson Manufacturing Co.'s entry No. 1.	
Wilson Manfg. Co. Ltd. Dr.	\$17560.00	Cash Dr.	\$ 430.00
To Cash	\$ 430.00	Real Estate	2000.00
Real Estate	2000.00	Bills Receivable	2620.00
Bills Receivable	2620.00	Plant	6200.00
Plant	6200.00	Merchandise	5860.00
Merchandise	5860.00	Personal Acct. Receivable	450.00
Personal Account	450.00	To Simcoe Mfg. Co. Ltd.	\$17560.00
For Assets of the Company delivered over to the Wilson Manufacturing Co. Ltd., in amalgamation.		Assets of Simcoe Manufacturing Co. Ltd., taken over by the Company in payment of Stock to be issued to the shareholders of the Simcoe Mfg. Co.	

NOTE—It is better to open an account in each Company's ledger with the other, and enter up the actual Assets and Liabilities as given over and received, and then deal with the Stock afterwards. This and the following entry for the Liabilities will be correct in either of the three cases.

Simcoe Manufacturing Co.'s entry No. 2.

Bills Payable Dr.	4760.00
Personal Accounts	2800.00
Capital Stock	10000.00
To Wilson Mfg. Co.	17560.00

For liabilities assumed by Wilson Manufacturing Company, Ltd., also the paid up Stock of this Company, for which our shareholders are to receive fully paid up shares of an equal amount in the Wilson Company.

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The shares being fully paid up, the accounts in the General Ledger will all be closed by these two entries. If the Stock has been entered up in a Stock Ledger, it will be closed out by a cross entry the opposite of what was used to write the Stock in.

Simcoe Manufacturing Co.'s entry No. 3.

Shareholders Dr.	10000.00
To paid up Capital Acct.	10000.00

Wilson Manufacturing Co.'s entry No. 2.

Simcoe Mfg. Co. Dr.	17560.00
To Bills Payable	4700.00
Personal Acct. Payable	2800.00
For liabilities of the Simcoe Manufacturing Co. assumed by the Company.	

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The Wilson Manufacturing Co.'s further entries in this case will be just such as would be made if any person took stock.

Wilson Manufacturing Co.'s entry No. 3.

Shareholders Dr.	10000.00
To Capital Stock	10000.00
and Simcoe Mfg. Co.	10000.000
To shareholders	10000.00
for the payment of the shares, &c.	

CASE II. If there was a Reserve Fund accumulated of \$4000, then the assets would of course be \$4000 greater. Now this Reserve Fund would likely be dealt with in one of two ways.

(1) To pay it out to the shareholders before the amalgamation. This would be done by declaring a dividend of 40 % and paying it in the usual way, using the Dividend Book. When this was done, the entries remaining to be made would be just the same as we have made, as the capital would be just equal.

(2) To take stock paid up, or partly paid up to such an extent that the amount so paid up would be equal to the Capital and the Reserve. The entries would be exactly the same as we have already made, except that the assets would be \$4000 greater, and the balance, Wilson Manufacturing Company's ledger would be \$4000 greater, and therefore the entry crediting the shareholders with payments on stock would be \$4000 greater. The entry would be greater that debited the shareholders to capital stock. The amount being the amount of their subscriptions in the Stock Book. In the Simcoe Manufacturing Company's books, Reserve Fund Account would be debited \$4000, and Wilson Manufacturing Company credited \$4000 more in the entry where the liabilities are written over, that is, entry No. 2.

Suppose the subscribed capital in any of these cases was not fully paid up, an entry—Capital Stock Dr. To Shareholders for the balance of the Capital Stock Account would close up the ledger entirely.

### CASE III., *Where Capital has been impaired.*

Suppose that in the foregoing statement of Assets and Liabilities that in place of the item of Real Estate, \$2000, we had some account, such as Organization Account, or Loss and Gain, that denoted the impairment of the capital to the extent of 20 %, then the stock is intrinsically worth only 80 cents on the dollar. Now this \$2000 is not a valuable asset of the Company, and would not be accepted by the Wilson Manufacturing Company for anything at all—hence Wilson Manufacturing Company's entry No. 1 would be reduced in amount \$2000, and the balance to the credit of the Simcoe Manufacturing Company in their Ledger would show only \$8000 of a balance of Assets over Liabilities taken over. The entry in Simcoe Manufacturing Company's books would be just the

same as No. 1, except the words Organization Account or Loss and Gain Account instead of Real Estate. The entries for each Company numbered 2, would not be different from No. 2 given for each already.

Now the remaining entries in the Wilson Manufacturing Company's books would not differ from those already given in reference to the stock except in the amounts, except in one case. There are two kinds of agreements, one of which would likely be made between the Companies in reference to the stock.

(1) The 80 per cent., which is really all the stock was worth, might be credited as 80 per cent. on stock in the Wilson Manufacturing Company, or less shares might be taken—that is four-fifths of the number of shares taken, and the 80 per cent. would pay them up fully. In this case the entries would be just as before, lessened by 20 per cent. in amount.

(2) They might agree that fully paid up shares to the full amount of the face value of the stock held in the Simcoe Manufacturing Company be issued to the shareholders when coming into the Wilson Manufacturing Company. In this case the entry No. 2 would be made by the Simcoe Manufacturing Company just the same as No. 2. This would make the account of the Simcoe Manufacturing Company in our Ledger greater on the debit side by \$2000, this being exactly the amount of the impairment of capital of the Simcoe Manufacturing Company before amalgamation. The only question that now remains is what to do with the \$2000 at the debit of this account. The disposition of this would depend on the standing of the Wilson Manufacturing Company. (a) If their capital was also impaired it would likely be charged to the same account as its impairment was in, that would be Organization Account, or Impairment Account, or Commission Account, or Loss and Gain Account, Dr. \$2000, To Simcoe Manufacturing Company \$2000. (b) If the Wilson Manufacturing Company was in good standing and had a Reserve Fund, this impairment would likely be charged to it—thus, Reserve Fund Dr. \$2000, To Simcoe Manufacturing Company \$2000. (c) If the Wilson Manufacturing Company had neither impairment of capital nor Reserve Fund, this would make an impairment, and the entry would be Organization Account, or Impairment Account, or Commission Account, or Loss and Gain Account Dr. \$2000, To Simcoe Manufacturing Company \$2000.

## Dissolution of Corporate Companies.

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Incorporated Companies are dissolved for various reasons :

(1) *Voluntary Liquidation.* A company may have been formed for some special purpose. When such purpose has been accomplished, or when a company has not been able to accomplish its object, generally speaking, when there is nothing further to be accomplished by the organization, when it has served its purpose it may on vote go into *voluntary liquidation*.

(2) *Insolvency.* When a company has become insolvent any creditor may force it into liquidation, when the provisions of the Winding-up Act will apply to it. If Dominion incorporation then the Dominion Act will apply; if Provincial incorporation has given it existence the Winding-up Act of the Province will apply. A Receiver is appointed, whose duties are to wind up the affairs and pay the creditors. He may not engage in new



contracts for the company, only such as are necessary to the proper disposal of the company's property in converting it into cash, and the payment of the creditors and returning any balance to the shareholders if anything is left for them.

(3) *Non user.* When a company is incorporated and a charter granted it is necessary for the company to go on with its business within a reasonable time (usually two years) or the charter will be forfeited because not used.

(4) *Misuser.* If a company is not complying with the terms of its charter ; if it is carrying on trade that is not a part of its undertaking or engaging in any illegal trade or business, or is being used to defraud, cheat, or circumvent its customers and others, then its charter may be withdrawn.

(5) *Expiration of Charter.* When the period for which a company has been chartered expires, if a new charter is not applied for and granted, the company would be dissolved ; for example, the thirty-six banks of Canada are chartered for twenty years from July 1st, 1891. At the expiration of that term if the charters are not continued, they will be dissolved. There is another form of expiration of charter. A company is chartered only to do a certain piece of work or to attend to one special piece of business. When that work is done or the business completed the charter would lapse as there is no further need for it, as the object for which it was brought into existence does not further need its continuance.

## Points Regarding Liquidation.

(1) A company desiring to wind up business may do so on passing a resolution to that effect at a general meeting duly called for that purpose, if such resolution is passed by a three-fourths vote of all those present in person or by proxy, and entitled to vote.

(2) If there is no such resolution it may be wound up by an order from the court on application of a "contributor."

(3) A copy of the winding-up resolution or winding-up order should be registered in the registry office of every county where real estate is held by the company, so as to complete the line of succession to the liquidators, who will give deeds for such property when it is sold.

(4) The time of commencing to wind up begins at the passing of the resolution, or the making of the order to wind up.

(5) One or more liquidators should be appointed whose duty it would be to transact all the business of the company and close it up. He or they will exercise and use all the rights and powers of directors during their term of office.

(6) One or more inspectors may be appointed to oversee and direct the work of liquidation.

(7) The liquidators must only do such business as is necessary for the beneficial winding up of the estate, and not go on in new ventures and speculations on the company's account.

(8) After the winding up has commenced no shares shall be transferred, and if any such transfer shall be allowed the retiring shareholder is not in any way relieved from any liability in respect of any shares he held.

(9) The property of the company shall be applied :



- (a) In satisfaction of all ordinary liabilities.
- (b) In paying the expenses incurred in winding up the company.
- (c) The remainder, if any, will be distributed among the shareholders of the company, according to their respective interests.

(10) The liquidators may collect all debts by suit at law, or otherwise, sell real or personal property, sell accounts, claims, etc., draw and accept bills and notes, take out letters of administration for estate of any deceased "contributory" necessary for winding up, compromise with debtors, and all other acts necessary for the beneficial winding up of the company.

(11) The liquidator may employ legal counsel to advise and help him. He must deposit all sums of \$100 or more in a chartered bank, in *his name as liquidator*, in a separate account. He must produce the bank pass-book when required, and may pay his own expenses as liquidator and all other expenses of liquidation before any other claims are paid. He shall not purchase any part of the estate for himself.

(12) If a liquidator ceases to act or dies the "contributories" will appoint another in his place.

(13) When all liabilities have been paid off a general meeting of the "contributories," as the stockholders are called, should be duly announced, at which directions may be given to the liquidator as to the distribution of the remaining assets among the "contributories."

(14) Any balance of money left over or unclaimed will be left in the bank for three years to await any claimant that may give proof of his right to it either in payment of a claim against the company or a dividend due him. At the end of three years any balance should be placed in the hands of the Provincial Treasurer if the company is of Provincial incorporation, or with the Receiver-General if of Dominion incorporation. Such sums deposited with the Government should be accompanied by a verified list of those to whom it is due, as far as can be ascertained. Any person afterwards proving his right to any portion of such money will receive it from Government.

For any further points or information relative to the winding up of companies, see Revised Statutes of Ontario Cap. 183, and Revised Statutes of Canada Cap. 129. The law relative to the winding up of corporations is practically the same in all provinces and states in America.

## Winding Up a Company Forced into Liquidation by Creditors.

The following is a statement of the actual Assets and Liabilities of the Collingwood Manuf'g Co. (Ltd), subscribed capital \$10,000, on which there is paid up \$8,200, leaving \$1,800 unpaid. The Company is forced into liquidation and J. S. Howes, Esq. appointed liquidator.

*Statement of the Assets and Liabilities of the Collingwood Mfg. Co. Ltd., at  
Feb. 1st, 1892.*

ASSETS.		LIABILITIES.	
Goods per inventory . . . . .	\$1500 00	Bills Payable . . . . .	\$6300 00
Real Estate per valuation . . . . .	2000 00	Mortgage on Real Estate . . . . .	1000 00
Personal Accounts receivable . . . . .	1680 00	Personal Accounts payable . . . . .	5200 00
Bills Receivable . . . . .	1360 00		
Office Furniture, etc. . . . .	60 00		
Unpaid Stock . . . . .	1800 00		
	<hr/>		<hr/>
	\$8400 00		\$12500 00

The foregoing statement shows only \$8,400 of Assets against \$12,500 of Liabilities, or 67 $\frac{1}{3}$ % if every dollar of the Assets were realized. Before the liquidator does anything in the way of business he would close up the books according to the statements and bring down the balances as shown in the Ledger. He would leave the Impairment of Capital in Loss and Gain Account as a debit balance. A question on which the pupil may exercise his faculties. From the data already given above : Show that the Dr. balance of Loss and Gain account when the liquidator takes hold should be \$14,100. We give the winding up transactions regardless of dates ; they are the transactions of the liquidator.

(1) Sold the stock of goods at 60c. on the dollar cash to W. Brown.

(2) Sold the real estate to B. Allen, Esq., for \$2,500. Purchaser assumes the mortgage of \$1,000, as part payment and gives us his cheque for balance, \$1,500

Cash Dr. \$900,  
To Mdse, \$900.

Cash Dr.  
Mtg. Pay. Dr.  
To Real Estate.

The mortgage in the above entry being a preferential claim it must be paid in full. It is therefore assumed at its face by the purchaser without deduction.

Collected in cash the following :

The unpaid Stock . . . . . \$1800  
On account of Bills Rec. . . . . 1000  
" " Personal Accounts Rec. . . . . 1400

Cash Dr. \$4,200,  
To Shareholders, \$1,800,  
" Bills Rec., 1,000,  
" Pers.A/cs Rec. 1,400.

Paid to Creditors the first winding up dividend of 50% in cash, as follows : Note holders, \$3,150 : and Personal Accounts Payable \$2,600.

Bills Payable Dr. \$3,150,  
Pers. A/cs Pay. " 2,600,  
To Cash, .. 5,750.

Sold the balance of the Personal Accounts Rec. \$280, for \$200 ; and the balance of Bills Rec., \$360 for \$300 ; and Office Fixtures for \$40 to C. C. Pearce for cash.

Cash Dr. \$ 540,  
To Personal A/cs.Rec. 200,  
" Bills Rec. .. 360,  
" Office Furniture, 40.

Paid sundry bills of printing, postage, and other expenses, \$90. Paid self as liquidator for services, \$150. Paid 10% Dividend on Notes, \$630, and Book Account \$520, as the last winding up dividend of the estate.

Expense Dr. .. \$240,  
Bills Payable, .. 630,  
Personal A/cs. Rec. 520,  
To Cash, .. 1,390.

There remain now only the closing entries to be made to close up the books completely. It will be remembered that the balance at the debit of Loss and Gain, being the total loss of the capital and the shortage on the assets at the time the liquidator took charge. There have been various losses for expenses, on merchandise, office furniture, and the notes and accounts. There has been a gain on Real Estate of \$500, and because

there are no more assets and nothing to pay with, there will be a gain on the personal accounts payable and the Bills Payable—simply because the creditors and note-holders had to forgive them. The shareholders' accounts are in balance, and because there is nothing to pay to shareholders there ceases to be any liability to them, so the capital stock comes into Loss and Gain Account as a gain, and the Loss and Gain Account closes itself. The following are the closing entries :

LOSSES.

Loss and Gain Dr. \$1,000,	
To Mdse., . . . .	600,
" Pers. Accts. Rec. . . .	80,
" Bills Rec. . . .	60,
" Office Furniture . . . .	20,
" Expenses . . . .	240.

FOR GAINS.

Real Estate Dr. . . . .	\$500,
Bills Pay. 40 % Dr. . . . .	2,520,
Pers. Accts. Pay. 40 % . . . .	2,080,
Capital Stock, . . . .	10,000,
To Loss and Gain, . . . .	15,100.

In case any of the creditors could not be found, the amount due them may be kept in the bank by the liquidator for two years and then paid to the Receiver-General of Canada or the Province to await the creditor's return.

## Voluntary Liquidation.

When the liquidation is voluntary on the part of the company the entries do not differ materially from those given in connection with the company forced into liquidation. In the latter case the entire liabilities would be paid and the best made out of the Resources that could be made. The winding-up dividends in this case would be payable to the shareholders and could be very well handled as an ordinary dividend in the dividend book, and journalized, Dividend Dr. to Cash, when they are paid. Then Dividend Acct, Capital Stock Account, Reserve Fund Account if there be any, and all the other accounts would close into Loss and Gain in a manner similar to the other company, and when they are all closed the books would be in balance, the Loss and Gain Account closed and everything complete. The foregoing presupposes capital all paid up. Suppose we take a case of a loan company we audited for when being voluntarily liquidated. Capital \$1,000,000 paid up only 10 per cent., or \$100,000 ; paid up capital impaired 5% or \$5,000 ; ordinary liabilities all paid and resources all collected and converted into cash.

(1) Capital Stock subscriptions are all cancelled, and the liability of the shareholders written off.

Shareholders Dr. 95,000,  
    To Cash, 95,000.

(2) Paid winding-up dividend :  
    No. 1 95% of paid-up capital \$95,000 in cash.

Capital Stock Dr. 1,000,000,  
    To Shareholders 1,000,000.

(3) The loss of each shareholder is written off into Loss and Gain Account, being 5% of his paid up capital.

Shareholders Dr. 5,000,  
    To Loss and Gain 5,000.

(4) If the impairment was at the Dr. of Loss and Gain Account the books would now balance. If it were at the Cr. of *Organization Account* it would be closed into Loss and Gain, and everything would be in balance.

Loss and Gain Dr. 5,000,  
    To Organization Acct. 5,000.

## Various Conditions of Company Organization, and Various Ways of Entering them.

There are a great many different conditions under which Companies may be organized, most of which can be easily managed by any book-keeper who has looked over the various conditions existing in the two years of business of the Springvale Creamery Company and the year of the Canada Quarrying Company, and the season's trade of the Georgian Bay Transit Company in the earlier pages of this book. We have there elucidated the following conditions:—

(1) A Company organized under Provincial Legislation :—Part of the Capital taken up and paid for in instalments—

(2) Additional Stock taken up, and paid up in full by a transfer of property, the Coldstream Creamery Real Estate and Plant part of the property being paid in cash, and part by the Company assuming a mortgage that existed against the property. The remaining Stock also being taken up payable in instalments—

(3) A Company is organized under Dominion Legislation. All the Capital is taken up so as to make a close corporation. It is paid up in instalments—part in cash, and part in various ways by Real Estate, Cash, Plant, Mortgage, &c.—

(4) Dividends have been paid. A bonus was also paid and returned on Stock as a fourth call.

(5) Reserve Funds have been created, &c., showing how to treat accumulating profits.

We will take up a few special cases and deal with them by giving journal entries, so that the accountant may find a parallel to almost any case he may have in hand.

It will be noticed further on that there are different ways of handling the organization entries. In two of those previously illustrated, the Capital is taken in part, or all, and paid in *instalments*, the shareholders' accounts all being opened in the General Ledger, and kept there until their Stock is fully paid up, in this way treating the unpaid capital as a valuable resource of the Company as the law contemplates it. The paid up capital may be entered up in the Stock Ledger either as paid in, or when fully paid up, and the Stock Accounts closed up in the General Ledger.

It will no doubt be obvious to the intelligent book-keeper that when Capital is all paid up at the time it is taken up, it may be treated in the same way at the beginning, as the Capital paid by instalments is when it becomes fully paid up. In other words, we may put our fully paid up capital directly into the Stock Ledger, and not bring the shareholder's name into the General Ledger at all, as we opened his Stock Account in *the General Ledger and kept it there only while there was something due from him on account of his shares*. We will therefore adopt the plan of putting the Stock Account directly into the Stock Ledger if all the shares that are taken up are paid up in full at the time of their issue. Instead of crediting the shareholder with his payments and debiting him Capital Stock as we did in the sets worked out in the earlier part of the book, we will make cash or property of whatever kind received Dr. to Capital Stock, and make the usual entries for paid up capital to the credit of the shareholder in the Stock Ledger.



We worked our previous examples suitable to the instalment plan of paying up shares as nine-tenths of our Canadian companies are organized on this condition. It is a fact that very many Loan Companies and other Financial and Trading Institutions organize with the understanding that only ten, or twenty, or twenty-five per cent. of the Capital will ever be called up. The Company is expected to issue Debentures, borrow Capital, and trade and do business on the strength of its credit—on the strength of liability on the part of the shareholders for their unpaid stock—on the strength of the credit of the individual shareholders for twenty-five, eighty, or ninety per cent. of their subscribed stock.

The stock that has never been subscribed for or that has been returned to the Company voluntarily by the holder, or that has been cancelled by the Directors for non-payment of instalments or for any other cause, is called *Treasury Stock*. If it is thought desirable to have an account with it, and an account with the total amount of the authorized capital, there will not be any trouble with them. Shares are not really of any intrinsic value until taken up. See article on Treasury Stock elsewhere in this book.

The following twelve propositions or examples for which Journal entries are given, will serve to illustrate the formation of Joint Stock Companies under a great many different conditions. Such a variety we believe as will enable any intelligent book-keeper to make entries for almost any case that may occur. These propositions are commended to the student using this work, whether he be in college, at home, or in the counting-room; not for reading alone, but for study, and he is requested to construct others for himself, and invited to send any special cases to the author for his consideration and help if necessary.

### Proposition No. 1.

Three ranchmen, W. A. Scott, Samuel Brown and R. J. Doyle, owning adjoining Real Estate valued at \$5000 each, and Live Stock \$15000 each, are joined by two capitalists, A. R. Elliott and Thomas Moore, in the consolidation of the ranches and formation of a Joint Stock Company, Capital \$100000 in 1000 shares of \$100 each, to be equally divided among the five—200 shares each, the capitalists furnishing \$40000 in cash—that is \$20000 each.

Stock is fully paid up at once, hence the entry following connects Capital Stock with the Working Accounts, and the shareholder's Capital Accounts are taken care of in the Stock Ledger.

#### FOR GENERAL LEDGER.

Cash Dr.	\$40000.00
Live Stock	45000.00
Real Estate	15000.00
To Capital Stock	\$100000.00
(Explanation to follow here.)	

#### FOR STOCK LEDGER.

Paid up Capital A/c Dr.	\$100000.00
To W. A. Scott	
For ranch \$5000 and cattle \$15000,	\$20000.00
To Samuel Brown	
For ranch \$5000 and cattle \$15000,	20000.00
To R. J. Doyle	
For ranch \$5000 and cattle \$15000,	20000.00
To A. R. Elliott	
For cash invested	20000.00
To Thomas Moore	
For cash invested	20000.00
(Explanation to follow here.)	

## Proposition No. 2.

The firm of Notter & Scott, grocers, (consisting of James Notter and Thos. Scott,) is to be converted into a Stock Company. They are equal partners in the following assets which are to be taken over by the Company and paid for in stock fully paid up. The liabilities are to be assumed by the Company. They are to be joined by George Spragge investing cash \$3000, Arthur Priest investing a stock of groceries valued at \$2500, and W. H. Manley who gives his note at 12 months bearing interest at 5 per cent. for \$2500 accompanied by collateral notes as security—the collateral notes not to become the property of the Company, but to be collected and applied towards the liquidation of his note. All Stock to be fully paid up and equal to his investment.

### *Notter & Scott's Statement of Assets and Liabilities.*

Assets.		Liabilities.	
Merchandise per Inventory	\$4000.00	Bills Payable	\$300.00
Bills Receivable	800.00	Personal Accounts Payable	500.00
Accounts Receivable	1500.00		
Shop fixtures, horses, rigs, &c., per Inventory	500.00		
	<hr/>		<hr/>
	\$6800.00		\$800.00

In the above proposition it will be noticed that the respective interests are to be as follows, and the Stock of each is to be equal to it in amount, viz., James Notter \$3000, Thomas Scott \$3000, George Spragge \$3000, Arthur Priest \$2500, W. H. Manley \$2500,—in all \$14000. As the Stock is to be fully paid up at once, there is no necessity for bringing the Capital Accounts into the General Ledger. The explanation to the Journal entries should be very full, so that there may be no misunderstanding afterwards. There will be no account opened for interest on W. H. Manley's note, as none is earned as yet, and as the collateral notes belong to him and not to the Company, it will not be necessary to open an account with them. If it were desirable the entry which does not affect the Capital Stock transactions would be—

Bills Collectible Dr.

To W. H. Manley's Collateral Account.

#### FOR GENERAL LEDGER.

Cash	\$3000.00
Merchandise Dr.	6500.00
Bills Receivable	330.000
A.B.C.&c.Dr.(personala/cs)	1500.00
Furniture and fixtures	500.00
To Bills Payable	\$ 300.00
X.Y.Z.&c.(personala/cs)	500.00
Capital Stock	14000.00

(Full explanation here.)

#### FOR STOCK LEDGER.

Paid up Capital Dr. \$14000.00	
To James Notter	\$3000.00
Thos. Scott	3000.00
Geo. Spragge	3000.00
Arthur Priest	2500.00
W. H. Manley	2500.00

## Proposition No. 3.

H. B. Harrison, N. P. Horton, G. F. Paine, R. B. Miller, and D. R. Dobie, form a Real Estate Company, Capital Stock \$500000 in 50000 shares of \$10 each. They donate to themselves 25000 shares each to be paid 90 per cent. by organization expenses, and

10 per cent. each by Real Estate that they transfer to the Company by deed. They exchange 10000 shares at par fully paid up for a valuable tract of land owned by Alfred Frost, Esq., and valued at \$100000, and the remaining shares to be sold in the future at par for working capital.

#### FOR GENERAL LEDGER.

Real Estate Dr.	\$ 25000.00
Organization a/c Dr.	225000.00
To Capital Stock	\$250000.00
(Explanation to follow here.)	
Real Estate Dr.	\$100000.00
To Capital Stock	\$100000.00
(Explanation <i>re</i> Frost's property &c., to follow here.)	

#### FOR STOCK LEDGER.

Paid up Capital Dr.	\$250000.00
To H. B. Harrison	\$50000.00
N. P. Horton	50000.00
G. F. Paine	50000.00
R. B. Miller	50000.00
D. R. Dobie	50000.00
(Explanation to follow here.)	
Paid up Capital Dr.	\$100000.00
To Alfred Frost	\$100000.00
(Explanation to follow.)	

When the remainder of the Stock is issued, the entries will be just such as have been made before in this work. It is needless to repeat them.

### Proposition No. 4.

John Parker, J. McLauchlan, W. Robinson, E. Todd and J. W. Redfern, known as the Consumers' Gas Company, have a valuable franchise from the town of Owen Sound giving them the right of supplying the town and its citizens with gas for 20 years, and a continuance of the franchise thereafter on arbitrated terms. The Company has an authorized Capital Stock of \$100000 in shares of \$100 each, of which \$30000 has been taken up by the Corporators, and fully paid up certificates granted them when 50 per cent. was paid up, the remaining \$15000 being charged to Organization Account. It was proposed to place on the market \$30000 more stock, which was at once taken up at \$150 per share—that is \$50 per share premium. This premium is sufficient to wipe out the Organization Account. The new stock and premium are paid up in cash.

The Stock Accounts of Parker, McLauchlan, Robinson, Todd and Redfern, are all in the Ledger already, therefore nothing has to be done with them. If the other \$30000 stock is taken as follows, S. J. Parker \$8000, W. B. Stephens \$5000, Geo. Ingles \$5000, R. McKnight \$5000, R. Wightman \$4000, R. Edgar \$3000.

#### GENERAL LEDGER.

Cash Dr.	\$45000.00
To Capital Stock	\$30000.00
Organization a/c	15000.00
(Explanation.)	

NOTE. The \$15000 of premium might be credited to Premium Account, or Loss and Gain Account, and the Organization Account be allowed to close into Loss and Gain Account, and be extinguished at the next general closing of the books. It is immaterial as to which course is taken. The result at the end of the year will be the same.

#### STOCK LEDGER.

Paid up Capital Dr.	\$30000.00
To S. J. Parker	\$8000.00
W. B. Stephens	5000.00
Geo. Ingles	5000.00
R. McKnight	5000.00
R. Wightman	4000.00
R. Edgar	3000.00

NOTE. It is well to note here that these shareholders though they paid \$150 per share for their Stock, only get credit for the par value of the shares. No premium or discount on the payments for shares ever come into the Stock Ledger.

### Proposition No. 5.

Mr. A. L. McIntyre, the owner of the Melvil Nickel Mine at Sudbury, proposes to organize a Mining Company of \$500000 Capital in 5000 shares of \$100 each. For his



mine he is to receive a controlling interest in the stock, viz., 2600 shares and \$100000 in cash. The 2400 shares remaining are to be sold to pay the \$100000 due the mine owner, and to provide the Working Capital for operating it. R. P. Butchart, E. Waud, John Corbet, H. E. Strathy, and S. Lloyd, each take 400 shares and pay for them at par, and the Company is incorporated. Four hundred shares remain in the Company as Treasury Stock.

#### FOR GENERAL LEDGER.

Melvil Mine a/c Dr.	\$360000.00
To Capital Stock	\$260000.00
A. L. McIntyre	100000.00
(Explanation.)	
Cash Dr.	\$200000.00
To Capital Stock	\$200000.00
(Explanation.)	
A. L. McIntyre Dr.	\$100000.00
To Cash	\$100000.00

#### FOR STOCK LEDGER.

Paid up Stock Dr.	\$460000.00
To A. L. McIntyre	\$260000.00
R. P. Butchart	40000.00
E. Waud	40000.00
Jno. Corbet	40000.00
H. E. Strathy	40000.00
S. Lloyd	40000.00

NOTE. The explanations to the above entries should be especially full, so as to show the agreement in full between the mine owner and the others that went with him as Corporators of the Company, and so that the Stock Ledger entries connected therewith would be intelligible.

### Proposition No. 6.

A Company having a subscribed Capital of \$40000 in 400 shares of \$100 each, fully paid up, has met with serious losses, impairing the Capital to the extent of \$20000. The losses are held at the debit of Impairment Account. It is proposed to cancel half the shares held by each shareholder and return them to the Company, leaving the stock intrinsically worth its face value. It is further proposed to resell the \$20000 that reverted to the Company as preference stock, having a right to a dividend of 6 per cent. per annum out of the profits first, then the stock of the original shareholders to get 6 per cent. or less if the profits are insufficient, and if there are plenty of profits they share the same for all over 6 per cent.

The old shareholders are E. S. Busby, J. B. Lemon, J. J. Merrill, D. P. Urquhart and John Sloan, holding \$8000 each in the Capital Stock.

The shares after being returned are sold as preference shares as follows: W. A. McClean \$10000, T. W. Douglas \$5000, J. Waites \$5000, and paid up in cash.

#### GENERAL LEDGER.

(1) Cancellation of half of stock.	
Capital Stock Dr.	\$20000
To Impairment a/c	\$20000
(Explanation giving full particulars <i>re</i> cancellation, &c.)	
(2) Issue of Preference Stock.	
Cash Dr.	\$20000
To Preference Capital Stock a/c	\$20000
(Explanation giving terms of dividends, &c.)	

NOTE. The Impairment Account will now balance, and the ordinary stock will be shown in "Capital Stock Account" \$20000, and the Preference Stock in "Preference Capital Stock Account" \$20000.

#### STOCK LEDGER.

(1) Cancellation of half of paid up Capital.	
E. S. Busby Dr.	\$4000
J. B. Lemon "	4000
J. J. Merrill "	4000
D. P. Urquhart "	4000
John Sloan "	4000
To paid up Capital Account	\$20000
(Explanation.)	
(2) Issue of Preference Stock to new shareholders.	
Paid up Pref. Capital Dr.	\$20000
To W. A. McClean (Pref. Stock)	\$10000
T. W. Douglas "	5000
J. Waites "	5000



### Proposition No. 7.

A Company having a Capital of \$50000 all subscribed and paid up in 500 shares of \$100 each, has had its Capital seriously impaired by losses until it is now only \$27500, the amount of the reduction of Capital being in Impairment Account. It is proposed to reduce the Capital Stock to \$25000, reducing the shares to \$50 each, and leaving \$2500 of surplus in Reserve Fund. Supplementary Letters Patent were granted reducing the Capital to 500 shares of \$50 each. Make the entries. The shareholders are D. Melville, G. P. Creighton, J. C. Ryan, W. F. Wolfe and Fred Kilbourn, each holding 10 shares of \$100 each.

#### FOR GENERAL LEDGER.

Capital Stock Dr.	\$25000
To Impairment Account	\$22500
Reserve Account	2500
(Explanation to follow.)	

#### FOR STOCK LEDGER

D. Melville	Dr.	\$5000
G. P. Creighton	"	5000
J. C. Ryan	"	5000
W. F. Wolfe	"	5000
Fred Kilbourn	"	5000
To paid up Capital		\$25000
(Explanation in full to follow.)		

### Proposition No. 8.

A company is to be organized to manufacture a new style of sewing machine, the patent of which is owned jointly by S. J. Parker, W. B. Stephens, J. R. Brown, James Waites and Alfred Spencer. Capital Stock \$1000,000, in 1,000 shares of \$100 each. The owners of the patent become the corporators of the company and take to themselves \$60,000 of the stock, fully paid up, in exchange for the patent and a call of 10%, paid at time in cash. The remainder of the shares to be sold subject to calls of 10% payable every thirty days until fully paid up to produce the working capital. None of such shares being sold as yet.

The capital being paid up in the organization transactions that concern us here there will not be any necessity for opening accounts in the General Ledger for the individual shareholders. The stock that is to be issued subject to call in the future does not concern us in this proposition.

#### FOR GENERAL LEDGER.

Express Sewing Machine	
Patent A/c. Dr.	.. \$50,000
Cash Dr.	.. .. 10,000
To Capital Stock,	.. \$60,000

#### FOR STOCK LEDGER.

Paid up Capital Dr.	\$60,000
To S. J. Parker,	.. \$12,000
" W. B. Stephens,	.. 12,000
" J. R. Brown,	.. 12,000
" James Waites,	.. 12,000
" Alfred Spencer..	12,000

### Proposition No. 9.

A Company is to be organized for which it will be necessary to secure special legislation. The Capital Stock is to be \$80000, of which \$50000 is taken up by the Corporators J. P. Vick, E. H. Newman, J. J. Douglas, M. Forhan and A. J. Frost, each \$10000, to be paid up as called by the Directors. A hundred shares of stock fully paid up is given to the President to use as he sees best in the organization of the Company. It is

placed entirely at his disposal, and subject to transfer. He may sell it and use the proceeds as he thinks best around legislative halls, or he may transfer the shares direct without consideration. The Corporators are not supposed to know, and never ask anything about what was done with it. The President, J. P. Vick, is to have it for his trouble in organizing. The remaining \$20000 of stock to be reserved in the meantime. The Corporators pay in the first call of 10 per cent.

#### FOR GENERAL LEDGER.

J. P. Vick	Dr.	\$10000
E. H. Newman	"	10000
J. J. Douglas	"	10000
M. Forhan	"	10000
A. J. Frost	"	10000
To Capital Stock		\$50000
(Explanation.)		
Cash Dr.		\$5000
To J. P. Vick		\$1000
E. H. Newman		1000
J. J. Douglas		1000
M. Forhan		1000
A. J. Frost		1000

(Explanation.)

The foregoing entries pertain to the organization of the Company. The entry following is a condition subsequent of which the following entries will be made.

J. P. Vick Dr.	\$10000
To Capital Stock	\$10000
(Explanation.)	
Organization Account Dr.	\$10000
To J. P. Vick	\$10000

(Explanation.)

The above would be a regular entry for Organization Account. Some would prefer to put it in Commission Account, or Salary Account. It might be done by making Organization Account Dr. \$10000 To Capital Stock, leaving the President's name out entirely.

#### FOR THE STOCK LEDGER.

In many cases Companies have their paid up Capital, be it 10 per cent., or 40 per cent., or 100 per cent., entered up in the Stock Ledger at once, not waiting to open the Stock Ledger until shares are all paid up. In such case the following entry would be made.

Paid up Capital Account Dr. \$5000

To J. P. Vick	\$1000
E. H. Newman	1000
J. J. Douglas	1000
M. Forhan	1000
A. J. Frost	1000

(Explanation.)

The following is the entry for the stock that is donated to the President for services in organization. It does not differ from other paid up Capital entries.

Paid up Capital Dr.	\$10000
To J. P. Vick	\$10000

(Explanation.)

We do not insert this proposition here to recommend the corrupt use of the funds or stock in lobbying around legislative halls, or in any other way, but to give the reader an idea of how such transactions are covered up, that he may have an idea what to look for in case of his having to hunt out any such work.

### Proposition No. 10.

Thomas Gordon, Esq., is the proprietor of a mercantile business that is to be converted into a Joint Stock Company, having a Capital of \$40,000 in 400 shares of \$100 each. He is to take \$20,000 of the stock payable in assets of his business, the company to take over all his assets and assume his liabilities and pay him all that they net the company in cash over the amount of his stock. The other shareholders, John Rutherford, D. Creighton, Jos. Lang, and Jas. H. Little, to take up the remainder of the stock, \$5,000 each, and pay it in cash.

*Thos. Gordon's Assets and Liabilities, Jan. 1st, 1892.*

ASSETS.		LIABILITIES.	
Mdse. per Inventory.....	\$12,500	Bills Payable.....	\$2,000
Furniture and Fixtures.....	500	Personal Accts. Pay.....	2,800
Bills Receivable .....	10,000	Balance of Assets over Liabilities.	33,200
Personal Accts. Rec .....	15,000		
	<hr/>		<hr/>
	\$38,000		\$38,000

We will first bring into the Ledger the Assets and Liabilities of the old business and credit the Assets and charge the Liabilities to Thomas Gordon Liquidation A/c.

To this account we will charge

(1) The amount of paid up stock taken by Mr. Gordon ; (2) Any accounts or notes that cannot be collected, and (3) All sums drawn out by Mr. Gordon on account of said assets.

The balance of the account will show the amount due Mr. Gordon from the company.

FOR GENERAL LEDGER.		FOR STOCK LEDGER.	
Mdse. Dr. ..	\$12,500	Paid up Capital A/c. Dr.	\$4,0000
Furniture and Fixtures ..	500	To Thos. Gordon, ..	\$20,000
Bills Receivable ..	10,000	" Jno. Rutherford, ..	5,000
A, B, C, Pers. A/cs Rec.	15,000	" D. Creighton, ..	5,000
To Thos. Gordon Liquidation A/c.	38,000	" Jos. Lang, ..	5,000
(Explanation.)		" J. H. Little, ..	5,000
Thos. Gordon Liquidation A/c. Dr.	4800		
To Bills Payable ..	2,000		
" X, Y, Z, &c. Pers. A/cs. Pay.	2,800		
(Explanation.)			
Cash Dr. . . . .	\$20,000		
Thos. Gordon Liquidation A/c.	20,000		
To Capital Stock ..	40,000		

## Proposition No. 11.

A gentleman, James Smith, proposes retiring from business. The assets of the concern are as follows : Real Estate \$5,000, Plant \$8,000, Mdse. \$10,000, Personal Accounts Receivable, \$1,500, Bills Receivable \$500—in all \$25,000. There are no liabilities. He estimates the good will of the business to be worth \$5,000. Five of his employees, A.B. Dick, W. J. Shean, Jno. Wright, D. R. Duncan and Chas. Kramer, incorporate as the James Smith Co. Ltd., capital \$30,000. They each take \$5,000 stock and pay \$2,000 cash down. They take over Smith's assets as above valued, paying him \$10,000 in cash and the company's note for \$15,000, and issue to him \$5,000 of stock fully paid up for the good-will of his business.

As this stock is not fully paid up it will be put in the General Ledger.

FOR GENERAL LEDGER.

A. B. Dick,	Dr.	\$5,000	
W. J. Shean,	"	5,000	
John Wright,	"	5,000	
D. R. Duncan,	"	5,000	
Chas. Kramer,	"	5,000	
To Capital Stock,	..	25,000	
(Explanation.)			
Cash, Dr...		\$10,000	
To A. B. Dick,	..	2,000	
" W. J. Shean,	..	2,000	
" Jno. Wright,	..	2,000	
" D. R. Duncan,	..	2,000	
" Chas. Kramer,	..	2,000	
(Explanation.)			
Real Estate,	Dr.	\$5,000	
Plant A/c.	"	8,000	
Mdse.	"	10,000	
A,B,C, Pers. A/cs. Rec.	"	15,000	
Bills Rec.	"	500	
To Bills Payable,		15,000	
" Cash,		10,000	
(Explanation.)			
Good-will A/c. D.		\$5,000	
To Capital Stock,		5,000	
(Explanation.)			

FOR STOCK LEDGER.

Paid-up Capital A/c. Dr.	\$15,000	
To A. B. Dick,		2,000
" W. J. Shean,		2,000
" Jno. Wright,		2,000
" D. R. Duncan,		2,000
" Chas. Kramer,		2,000
" James Smith,		5,000
(Explanation.)		

This good-will of business is valuable. It might be charged to Organization Account or Loss and Gain Account, or any such account, to be wiped out by profits in the future.

Proposition No. 12.

A company having a paid up capital of \$20,000, consisting of 400 shares of \$50 each, being the entire authorized capital, apply to the government for Supplementary Letters Patent, granting them an additional authorized capital of \$30,000, in all \$50,000. The shareholders and their holdings of stock are as follows: George Eberle, \$6,000; Thos. Vickers, \$4,000; Joseph Pratt, \$3,000; A. J. Creighton, \$3,000; J. F. McCallum, \$4,000. They have a Reserve fund equal to their original capital, and propose to donate to the original shareholders 400 shares of new stock, and pay them up by using up the Reserve fund, thereby wiping it out and giving each shareholder as much new stock, fully paid up, as he had of the old, the remaining 10,000 to remain unsold for the present.

FOR GENERAL LEDGER.

Reserve Fund A/c. Dr.	\$20,000,
To Capital Stock,	\$20,000.
Explanation.	

FOR STOCK LEDGER.

Paid-up Capital, Dr.,	\$20,000,
To Geo. Eberle,	\$6,000
" Thos. Vickers,	4,000
" Joseph Pratt,	3,000
" A. J. Creighton,	3,000
" J. F. McCallum,	4,000



After some time the Ten Thousand Dollars of capital unsold (Treasury Stock) it sold at \$80 per share of \$50, being at a premium of sixty per cent., and is paid up as once in cash, the purchasers being A. M. Stephens, \$6,000, and C. M. Lang, \$4,000.

#### FOR GENERAL LEDGER.

Cash, Dr.,	\$16,000,	
To Capital Stock,		\$10,000
" Premium A/c.,		6,000

#### FOR STOCK LEDGER.

Paid-up Capital A/c., Dr.,	\$10,000,
To A. M. Stephens,	\$6,000.

It will be noticed that the premium paid is credited to Premium A/c., and is not put into Capital Stock in the General Ledger, nor into the Stock Ledger in either the Paid-up\* Capital A/c. or to the credit of the individual shareholder who paid it. It is the bonus the new shareholder pays for the privilege of sharing profits in a paying concern on equal footing with those who worked up a paying trade.

## Bonds or Debentures.

Bonds or debentures are the "written promises to pay" of Joint Stock Companies and societies, or of corporations, such as Towns, Townships, Villages, Counties, Provinces and Nations. When loans are negotiated for a short time they are usually made on Promissory Notes, and are usually known as floating liabilities, but when for a long time it is made on Bonds, otherwise called debentures. The Bonds are of two kinds :

(1). Coupon Bonds. These are negotiable instruments, usually payable to bearer to which are attached usually two interest coupons for each year the Bond runs. The coupons are promises to pay half-yearly interest.

(2). Registered Bonds. These are generally non-negotiable or negotiable by assignment, and a transfer is recorded in the office of the company or corporation. The name of the owner is recorded in the books of the company or corporation issuing the Bond, and he collects, personally, the interest at stated times by applying for it at the head office.

Bonds are frequently sold in England or other old countries where money is plenty and seeking investment at a low rate of interest. Money is borrowed by Railway Companies to invest in roads and rolling stock, with the expectation of creating an annual sinking fund from the earnings of the company to retire the debentures at maturity. It is also borrowed by Trading Companies for use as capital, and always by public corporations, such as Towns, Townships, &c., for making improvements. A sinking fund is provided by an annual levy of taxes for this purpose. In towns, villages, &c., the same amount of sinking fund must be levied each year during the currency of the debentures, and invested, to accumulate and await the time of maturity. Sometimes the debentures are so arranged at the time of issue that one or more will mature each year. As time goes on the interest grows less as the principal decreases, therefore the annual amount of maturing debentures will increase proportionally, as the interest decreases.

Loan companies do much business in this way. They borrow large sums of money on Bonds at 4,  $4\frac{1}{2}$  and 5 per cent., and lend it out on Mortgage at 6, 7 and 8 per cent., making a clear profit of from two to three per cent. on the borrowed capital.

## Entries for the Issue of Bonds or Debentures.

When Bonds, or Debentures, sell for more than their face value they are said to be sold above par, or at a premium. If they sell for less than their face value they sell below par, or at a discount. If a company sells \$20,000 of its Bonds at 104, that is 4 per cent. premium, they would bring in \$20,800, while only creating a liability of \$20,000, the \$800 premium being a profit. They would make an entry :

Cash, Dr.,	\$20,800,
To Debenture Account,	\$20,000,
" Premium,	800.

Had they been sold at 95, that is, at a discount of ten per cent., only \$19,000 would be received for them, and a \$20,000 liability is created, showing a loss of \$1,000. The company's entry would be :

Cash, Dr.,	\$19,000,
Debenture discount, Dr.,	\$1,000,
To Debenture Account,	\$20,000.

It is held by many, and with a good show of reason, too, that this loss of \$1,000, now held in Debenture Discount Account, should not be closed in full into Loss and Gain for the year, but only a percentage closed off. Suppose the above debentures were to run for ten years, they would consider this depreciation should not go directly against capital, but should be spread over ten years, charging \$100 each year against the Profit and Loss Account, to equalize the loss with the earnings of the money.

## Investors in Bonds and Debentures, [Entries for].

The purchaser would sometimes make entries for premium and discount the converse of those of the seller. Suppose the \$20,000 debentures are purchased at a premium of 4 per cent., or \$800. the entry would be :

(1) Simcoe Debenture Account, Dr.,	\$20,000,
Premium Account, Dr.,	800,
To Cash,	\$20,800.

or (2) Simcoe Debenture Account, Dr.,	\$20,800,
To Cash,	\$20,800.

In entry No. 2, the account is kept for the market value of the Bonds, and if the Bond matured in ten years it would be a proper precaution to write off \$80 per year to Profit and Loss, as all the debentures will bring at maturity is \$20,000, and when the investor paid this premium he would calculate that the annual interest was higher than he

required on his investment, and that a portion of this annual interest would go to make up the capital invested in premium, and the balance for the interest, as the real price received for the use of the money investment.

If the debentures were bought at a discount, the chief cause of the low price paid would be a low rate of interest, that is, the interest stipulated in the debenture would be considered insufficient for the use of the money invested. If \$20,000 were bought at, 5% discount, for \$19,000, running ten years, the entry might be made :

Simcoe Debentures, Dr., \$20,000,  
    To Cash,           \$19,000,  
    " Discount,       1,000.

The above entry keeps an account with the Bonds at the par value, and the Discount account might be closed in'to Loss and Gain, or the account wiped out in ten annual sums of \$100 each, by closing Premium a/c. into Interest a/c. for that amount each year.

or Simcoe Debentures, Dr., \$19,000,  
    To Cash, \$19,000.

In the above entry the Debenture a/c. keeps a record of the cost, or market value, of the Stock. As \$20,000 will be received for these debentures in ten years they will become, roughly speaking, \$100 more valuable each year, and an entry, charging the Debenture a/c. each year with \$100 interest, would regulate the value of the debenture and give us the profit annually as earned.

## Bondholders vs. Shareholders.

(1). A *bondholder* is a full creditor of the company or corporation issuing the Bond or Debenture.

(2). He has no vote or voice in the management of the company.

(3). The company's liability to him is a terminating one. He holds the company's promise to pay the amount due at a certain time.

(4). If the shareholder wants his money he gets it at the maturity of the bond, or he can sell his Bonds.

(1). The *Shareholder* is a partner for all practical purposes, and the liability is not a terminating one :

(2). He has a vote in the control and management of the company.

(3). The company's liability to him is not terminating—there is no promise to pay held for it. The company's liability to him is what is called a proprietary liability.

(4). If the shareholder wants to get his money out of the concern he must sell to some one else, and transfer his shares to them.

It will be noticed that it will be more advantageous to a company to sell *guaranteed* Stock in England than debentures. In each case the interest has to be paid—the one is temporary, borrowed, repayable capital, the other is permanent capital.

## Stock Issued to Replace Debentures.

It has been shown that it is more advantageous to a Company to issue stock either preferred or guaranteed, than to issue bonds. But it is only after a Company becomes known, that it can place its stock successfully on the market. Companies are usually forced in their early history to issue debentures or bonds, and when they become well established they take up the bonds and issue stock in their place. The mandatory liabilities become proprietary liabilities, The creditors become partners, relieving the Company of the necessity of constantly floating their new promises to pay on the money market.

## Directors for Prestige.

In several Companies where we have audited, we have found prominent persons as shareholders who simply lent their names to the Company to give it prestige with the public. They did not pay anything for their stock, and never intended to. They did not pay anything for stock nor received anything as dividend. Another case we noticed where shares fully paid up were donated to persons of high financial standing for the use of their names. Dividends were paid on these shares the same as others. There is still another way to get "high falutin" Directors and Shareholders, that is to pay them a stipulated sum per year for the use of their names. This practice is not common in Canada. It has obtained considerable footing in Great Britain and the United States.

## Founders' or Corporators' Shares.

It is bad enough to procure names of distinguished persons for prestige by giving them stock or hiring them, but infinitely worse for corporators to set aside certain shares for themselves, on which they apply all profits over a certain specified rate per cent. For example : Suppose the ordinary stock of a Company paid up was \$30000, and the profits were \$5000. If they declare an 8 per cent. dividend amounting to \$2400, and place the remainder to the credit of their indefinite number of Founders' Shares, or pay it out as dividend on the Founders' Shares, the number of which is not generally known, and in which nothing whatever has been invested. They simply take this advantage over those who come in later and capture all profits over a specified rate as the price of their shrewdness in incorporating the Company.

## Entries for Transfer of Shares Not Fully Paid Up.

Suppose James Caton is a shareholder holding ten shares of the value of \$100 each, in all \$1000, on which he has paid up 60 per cent., or \$600. He sells them to George Meir, and the transfer is made. The shareholders' accounts are in the General Ledger. Before the transfer is made Caton's account will be debited with \$1000 subscribed capital and credited with \$600 paid up. When the transfer entries are made, Mr. Caton's account must close, and Mr. Meir's be in the same condition as Mr. Caton's was before the transfer, viz., \$1000 on Dr., and \$600 on Cr. side.

George Meir Dr. \$1000

To James Caton \$1000

This entry transfers the Subscribed Stock from Mr. Caton to Mr. Meir.

James Caton Dr. \$600

To George Meir \$600

This entry transfers the paid up stock to Mr. Meir. When these entries are posted Mr. Meir's account will have a correct showing, and Mr. Caton's will close



## Trial Balances.

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A Trial Balance is a statement of the debits and credits of the accounts in the Ledger taken by the book-keeper to prove (1) whether all transactions have been journalized so as to have an equal debit and credit, which they should have, according to the foundation principle in Double Entry Book-keeping, and (2) whether these Journal entries have been posted to the proper side of the Ledger.

A Trial Balance may be drawn off either by taking the sum total of each side of each account, or by taking the balance of each account. We prefer the first method for many reasons that will no doubt be apparent before the end of the discussion of this subject is reached. One is that proofs can be applied to the Trial Balance kept in the former way that cannot be applied to that made from the balances.

The Trial Balance is a very useful kind of statement, but it is not so absolute a test of correctness as many imagine ; but because it is not an infallible proof for all things that is no excuse for a book-keeper trying to do without it. A Trial Balance should be taken very often, at least once a month. It is not much trouble to do so if it is attended to promptly and regularly. If it is left off half a year where there are a thousand or two of accounts, we would not be surprised to see the book-keeper puzzle and work, and work and puzzle over it for a week or two, and in despair write the difference between the sides into Balance Account to make it balance, with a view of hunting out the errors whenever he had a slack time afterwards.

The labor entailed in taking a Trial Balance regularly is sometimes considerable, but like all other work in book-keeping it can be reduced very greatly by using a little common sense in the planning of the work. There will be little use illustrating the ordinary Trial Balance taken by students from books they are learning from. That style is well understood by almost every person. We therefore pass that kind by, and deal with one useful in regular business, and one that will save much time to the book-keeper. We will call it a Continued Trial Balance.

### Continued Trial Balances.

(1) What necessity is there for a person to write out all the names on the Ledger every time he wants to take a Trial Balance—say twelve times per year. Make one writing do for the year by continuing money columns to the right of the name.

(2) By having the Trial Balance of a former month right along with you the finding of errors is greatly facilitated, and when errors are not made by leaving out amounts the mental comparison with the former month when putting it down will often discover a error before it is entered in the Trial Balance, thus saving much time.

Folio	NAME.	JANUARY.		FEBRUARY.		MARCH.	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
3	Capital Stock		100000 00		100000 00		
7	Loss and Gain	991 03		991 03			
8	Reserve Fund		501 55		501 55		
36	Deposit Accounts		190755 63		192751 02		
74	Cash	286397 42		287593 64			
121	Discount	518 14		496 12			
16 2	Bills Receivable	7957 10		8778 29			
204	Protest Fees		134 51		134 51		
300	Traders' Bank		4472 00		4472 00		
		295863 69	295843 69	297859 08	297859 08		

NOTE. Trial Balance Books of this kind can be had from the Author.

The foregoing form of Continued Trial Balance is for twelve months. By having each alternate leaf cut short in the Trial Balance Book, so that when the short leaf is turned over the name and folio are visible, there will be ample room for three months on each page, and on the left side of the wide page the folio and name are found, and on the right side of the other wide page is another column for remarks or names, as the book-keeper sees fit; we suggest the names of the accounts so as to save tracing the name through from the left side, and to facilitate the tracing of such lines easily we suggest that in the ruling from left to right across the pages, they be alternated red, blue, and purple, or at least two colors should be used. Then in the dollars and cents columns, each month should be separated from the succeeding one by a heavier or stronger colored line and there should be unit lines ruled faint in all dollar columns with the one separating "hundreds" from thousands a little brighter, or a slightly different color, so as to facilitate the putting down of the amounts.

### Carrying Forward.

The Trial Balances in many houses are very long. We recently audited for a house where the Trial Balance occupied over seventy pages, each sixteen inches long. We suggest that where such Trial Balances are long that the footings *be not carried forward* from

[illegible]





[illegible]

page to page, but that a few pages at the end of the book be reserved for summing up on. Add each page by itself and carry to the summing up part at the back. When all the pages have been added up and carried each in total to the reserved pages at the end of the book, then add up these (one or more pages of totals) to get the "Grand Total" of the Trial Balance. The advantage of this way of doing the work is this, that if a mistake has been made in any page, the footings of only one page will be affected, and these can easily be corrected, both in the page where the blunder was made and where it is transferred for adding up again. If the amount is carried forward for fifty or eighty pages, and an error were made near the beginning, just imagine the work and annoyance of correcting the figures carried forward at the bottom and top throughout the whole lot of pages.

## What a Trial Balance Will and Will Not Prove.

The foundation principle in Double Entry is that the debits and credits of each transaction are equal in amount. This being true when the sum of all the debits is found, it should be equal to the sum of all of the credits. If equals be added to equals the wholes will be equal. If a Trial Balance has been drawn off, and it is found in equilibrium what will it prove? It will prove that of certain transactions that have been journalized with equal debits and credits and posted to the Ledger, the debits to the debit side,

and the credits to the credit side. It is simply a test that certain transactions that have been posted have been taken to the correct side of the Ledger. It is simply a book-keeper's check as to his posting. We have met many men high up in corporate concerns—Managers, Secretaries, Treasurers, Directors, &c., who imagined that a Trial Balance was a test of every error, mistake and wrong entry that could be made; that it was a safeguard against every kind of perversion and deception that could be practiced on any set of books kept by Double Entry. We remember well of a case where we were called to act as special Auditor to investigate the accounts of a Company's book-keeper who seemed to be living above his income, and whose embezzlements of cash at the time really ran into the thousands. We had made a hasty examination and reported the result to the Manager who was Secy.-Treasurer of this and another Company, and President of a third at this time. He charged the book-keeper with the embezzlement in his private office. The book-keeper produced his Ledger and the Trial Balance, and got the Manager to check it with the Ledger and add it up to prove that he had not done anything wrong, and in half an hour had the Manager convinced that he was all right with the Company. It was only after another half hour's explanation that we persuaded the Manager that the Trial Balance, being in equilibrium, did not prove very much, and that the discrepancy between the Cash Balance according to the Trial Balance and the actual balance of the valuable commodity in the safe, was the real question, and that the Trial Balance only showed what ought to be the Cash Balance, without reference to the actual existence of the cash in the safe to agree with it. The safe did not contain hundreds where Cash Account called for thousands. The question naturally arises, What errors in Double Entry will a Trial Balance fail to indicate?

(1) It only proves that the transactions posted have been placed on the proper side of the Ledger, and not that the items were posted to the right account. For example, you should, according to a certain Journal entry, debit Oliver Brown with \$10 of goods. Suppose you by mistake make the entry on the debit side of Henry Adair's account. The Trial Balance would balance just as well when both accounts are thus incorrect as if it had been posted correctly. Adair is \$10 too great on the Dr. side, but Brown is \$10 too small on the same side, but the balance is not disturbed.

(2) Suppose that in posting you leave one, two, three, or a dozen or more transactions unposted. The Ledger will balance all right if you leave any number of them out, so long as you post every transaction that you begin at. The Trial Balance will be in balance if only one, or two, or three, or more, transactions have been posted. A hundred of them, or any other number of them may be omitted without disturbing the equilibrium of the Ledger.

(3) You may post one or two transactions twice, or several times, if you like. It is only adding *equals* to *equals*, and the sums will of course be equal, and thus your Ledger might be quite inaccurate in its accounts, and still not give any indications of the existence of such inaccuracies by being out of balance.

(4) Transactions might be put down in the Day-Book or Journal that never were entered into by the parties. So long as a Journal entry was made having an equal debit and credit, and these debits and credits were posted correctly, the Trial Balance would give no indication of such fictitious entries by being out of balance.

(5) Suppose that either accidentally or purposely one or more transactions that *were done* were not entered in the Journal, and therefore no record of them reached the Ledger, their absence would not disturb the beautiful harmony that existed between the debit and credit sides of the Ledger and Trial Balance.

(6) Errors are frequently made in computations in the Sales-Book, Day-Book, etc. Suppose by an error in multiplication, an item in the Sales-Book were carried out too great or too small; or suppose an error were made in computing interest, or anything else, the Journal entry would be made with an equal debit and credit, though the debits and credits might be too small or too large by a very considerable amount. The Trial Balance will take no cognizance of these things, and may appear beautiful to the eye of the book-keeper by having a perfect equality in sides, and yet underneath may be hidden a multitude of errors.

These are the principal classes of errors that the Trial Balance will not help to detect. There may be combinations of circumstances that may arise that will not affect the Trial Balance. Two, or three, or four errors may so combine that the sum of the errors on one side may be equal to the sum of the errors on the other side, and thus leave the totals equal, though quite incorrect in detail. This last is not a common occurrence. We have only chanced on such combinations of errors three or four times in our experience.

## How to Find Errors in Trial Balances.

Your Trial Balance is "out," so to speak, and what are you going to do about it? How can it be corrected? How are the errors to be located? Which side is 'out,' or are both sides incorrect, and if so, how much? If only one side is incorrect the difference between the sides will be the amount of the error, the sum of the errors, or their difference. If both sides are incorrect, there must at least be two errors—there may be more—the difference between the sides may represent the sum of the errors or their difference. If the books are arranged so that the totals of the business can be kept as a little side record, on a slip of paper or otherwise, as explained elsewhere in this book, then we can, with a little calculation, ascertain what the *footing of the Trial Balance should be*. In this way we can tell which side is wrong, or if both are wrong. We will leave further discussion of this part of the topic to be dealt with in the proper place, and now proceed to deal with books that have not had any special arrangements for making tests. We will suppose, however, that the Journal has been added up to show that the debits and credits of the Journal entries are equal in amount.

### 1. Looking for the Amount of the Difference.

We will find the difference between the sides of the Trial Balance and look through the Journal, Cash Book, etc., for this amount. It is perhaps left unposted. This failing, we will try a second test.

### 2. Something Posted to the Wrong Side of the Ledger.

If the difference between the sides is divisible by two (2), something may be posted to the wrong side. This will always produce an error in the Trial Balance that is divisible by *two*. We would take half the error, and scan the Journal, Cash Book, etc., for

such an amount. This test of the dividing by two is not very much use, as any mistake where the amount of the error is an even number will be divisible by two. Hence, it only gives a suggestion that perhaps an amount *may be* posted to the wrong side of the Ledger.

### 3. Comparing Present and Previous Trial Balances.

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One of the earliest precautions that should be taken with a Trial Balance that is "out" is to compare it carefully with the previous one, item by item. If anything is left out, or placed on the wrong side, it will usually be discovered as you carefully scan the accounts and compare with the accounts that were correct a month ago. It will often occur to the book-keeper's mind that an account is wrong when he sees it, in comparison with its standing a month ago. He will remember a transaction that occurred since, and on looking up will perhaps find that identical item unposted. The use of one's eyes, and the recollective faculty together, will often strike an error almost at first sight when carefully and considerably comparing the present with the former record of the accounts.

### 4. Errors in Addition ; the Carrying Figure.

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When the difference between the sides of the Trial Balance is 1, 10, 100, 1,000, 11, 111, or some such number, the error is generally one of addition—the carrying figure is frequently the cause. A column of figures foots up to 110—there is a great danger of putting down 0 and carrying ten. If any such error as the above occurs, we would add both the Trial Balance and the Ledger accounts, and would likely find it.

### 5. Errors in Addition in the Cash Book, Sales Book, Etc.

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There is another class of error in addition that frequently gives trouble ; that is, an error in the addition of a Cash Book, Sales Book, or any other book where *Totals* are posted. So, errors in addition may be in any such book, and the Ledger additions be all right. Such an error would produce an *unequal* debit in what might be called a very large Journal entry, as the entry in a Cash Book or Sales Book is simply a comprehensive Journal entry, taking in the business of a day, a week or a month in a total to one particular account. Accuracy in addition is a first essential in book-keeping, and although this is the first arithmetical rule that we learn in childhood, it is generally so imperfectly learned that comparatively few are sure in addition.

### 6. Posting Separately the Month's Business.

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Another plan is resorted to when others fail, sometimes we have used it a few times with good results where the business was not large. Take a large sheet or two of paper and open a space for each account, and post the business of the month, add the amounts of the Drs. and Crs. of each account to those in the last Trial Balance, and thus get an independent proof of every account. The error will soon be discovered in this way, though it entails considerable unnecessary work. While this one is put here as No. 6, it is not usually resorted to until the checking mentioned in No. 9 has first been tried. The checking usually finds the error, therefore this is little used.



## 7. Transposition of Figures.

If the difference between the sides is divisible by nine, there is a probability that there has been either a transposition or a translocation of the figures in some amount. A *transposition* of figures would be such as this: You are posting \$187, and you by mistake write \$781 or \$817 or \$871. Find the difference in any one of these transpositions and it will be divisible by nine, leaving no remainder— $781 - 187 = 594 \div 9 = 66$ . It is impossible to find out in all cases the number that has been transposed, though rules are frequently given that give the number.

CASE A. Suppose an error divisible by nine is found in the cents column only—take for example 63 to be the difference,  $63 \div 9 = 7$ , which is the difference between the figures transposed, therefore 7 and 0, and 8 and 1, and 9, and 2, are the only pairs of figures that have 7 for a difference, therefore the number was 07 or 70, or 81 or 18, or 92 or 29.

CASE B. If a transposition has been made that does not affect one or more figures at the right-hand side of a number, the amount of the error will contain a cipher at the right-hand side for every figure at the right-hand side of the number that was not affected by the transposition. For example, if \$7136 were put down \$1736 the error would be \$5400, that is, a cipher in the error for every figure at the right side not affected by the transposition.

CASE C. Suppose an error affects three figures in such a way that the middle figure of the three remains in its place, thus, 946 is written 649. In such a case as this the middle of the error is always 9.  $946 - 649 = 297$ , reject the 9 and take the other two figures in their order (27), divide by 9 and the quotient will be the difference between the figures transposed— $27 \div 9 = 3$ ; the figures transposed were 6 and 9, the difference being 3. This 3 would also stand for transpositions of 0 and 3, and 1 and 4, 2 and 5, 3 and 6, 4 and 7, 5 and 8, as well as the one it happened to be.

### Table of Transposed Numbers.

DIFFER-  
ENCES.

9	$\begin{cases} 10 & 21 & 32 & 43 & 54 & 65 & 76 & 87 & 98 \\ 01 & 12 & 23 & 34 & 45 & 56 & 67 & 78 & 89 \end{cases}$
18	$\begin{cases} 20 & 31 & 42 & 53 & 64 & 75 & 86 & 97 \\ 02 & 13 & 24 & 35 & 46 & 57 & 68 & 79 \end{cases}$
27	$\begin{cases} 30 & 41 & 52 & 63 & 74 & 85 & 96 \\ 03 & 14 & 25 & 36 & 47 & 58 & 69 \end{cases}$
36	$\begin{cases} 40 & 51 & 62 & 73 & 84 & 95 \\ 04 & 15 & 26 & 37 & 48 & 59 \end{cases}$
45	$\begin{cases} 50 & 61 & 72 & 83 & 94 \\ 05 & 16 & 27 & 38 & 49 \end{cases}$
54	$\begin{cases} 60 & 71 & 82 & 93 \\ 06 & 17 & 28 & 39 \end{cases}$

This Table will be found useful in hunting up errors caused by transposition of figures. For example, if the difference between the sides of a Trial Balance is 9 it would be occasioned by any one of the nine pairs of numbers being transposed—the lower one put instead of the upper one, or the upper one in place of the lower one. This is applicable whether such transposition occurs in the units, tens, hundreds or thousands columns, or in the decimal part as noted under case (B) in the quotient, when divided by 9 for every figure to the right of the part transposed, whether whole numbers or decimals will be ciphers. The differences occasioned by a transposition of figures keep on increasing by nine, so that, with a little trouble, all the differences produced in sums up to \$100,000 could easily be written out. They consist of every

- 63  $\begin{Bmatrix} 70 & 81 & 92 \\ 07 & 18 & 29 \end{Bmatrix}$  ninth number, beginning with nine. Almost all differences above 81 ( $9 \times 9$ ) are caused by translocations of figures, and the number so translocated is found by dividing by nine, etc.
- 72  $\begin{Bmatrix} 80 & 91 \\ 08 & 19 \end{Bmatrix}$
- 81  $\begin{Bmatrix} 90 \\ 09 \end{Bmatrix}$ ;  $90 \begin{Bmatrix} 100 \\ 010 \end{Bmatrix}$ ;  $99 \begin{Bmatrix} 100 \\ 001 \end{Bmatrix}$ ;  $108 \begin{Bmatrix} 120 \\ 12 \end{Bmatrix}$ ;  $117 \begin{Bmatrix} 130 \\ 13 \end{Bmatrix}$ ;  $126 \begin{Bmatrix} 140 \\ 14 \end{Bmatrix}$ ; etc.

## 8. Translocation of Numbers.

Following is an example of *translocation*: You are posting \$72 and you actually post it 72 cents, or you are posting 24 cents and by mistake you write it 24 dollars. The amount of the error produced by such translocation of figures is divisible by 9 thus— $7200 - 72 = 7128 \div 9 = 792$ . If we will divide this number by 11 we will have the number translocated,  $792 \div 11 = 72$ . As translocations almost always occur in putting cents (2 figures) in the dollars column, or a number of dollars, consisting of two figures, in the cents column. The amount thus translocated can always be found by dividing by 99 ( $9 \times 11$ ). Suppose 37c. were posted as \$37 the difference,  $\$37.00 - \$0.37 = \$36.63$ , the amount the Trial Balance would be out;  $\$36.63 \div 99 = 37$ , the number located in the wrong column.

Another method to find the number translocated is, reject the cents in the error and add *one* to the dollars and we have the amount.  $\$36.63$  is the amount of the difference in the above example; leave off the cents and we have 36, add 1 ( $36 + 1$ ) = 37, the amount that was placed in the wrong column.

CASE A. The translocation being only pushed over one figure:

If \$2.50 were posted as 25c. the difference produced (the error) would be \$2.25; divide by nine (*one nine*) and we have 25, the figures that were pushed over *one* place.

CASE B. The translocated amount being pushed over two places:

This is really the case shown in the first example under the heading of translocation, where dollars were put into cents column or cents put in as dollars. However, to show that it will work where more than two figures are pushed over either right or left two places, we take \$26500 posted as \$265. Now,  $26500 - 265 = 26235 \div 99$  (*two nines*) = 265, the number translocated.

CASE C. Where the translocated number has been pushed over three places:

Suppose \$62000 were written \$62, the error produced would be  $62000 - 62 = 61938$ . Now, divide this by 999 (*three nines*) and we have the number translocated— $61938 \div 999 = 62$ .

We have now sufficient examples to state a general rule: *Divide the error by as many 9's as the amount was translocated, and we will have the number translocated.* In case (A) where the removal was only *one* place, we divided by 9 (*one 9*); in case (B) where the removal was *two* places, we divided by 99 (*two 9's*) and got the number translocated; and in case (C) we had a number pushed over three places, and we divided by 999 (*three 9's*) and got the number translocated; and if we were to push a number over four places, we would divide by four nines, and so on.

If we couple with this the same law as was stated under case (b) in transpositions, that is, if one or more figure at the right-hand side of the error were ciphers those units, or units and tens, or units, tens and hundreds, &c., as the case may be, were not affected by the translocation, we have very good means of detecting errors of this kind.

## 9. Checking Over the Transactions.

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The sure way, and the way usually resorted to by accountants, to find errors is to check over, item by item, the Trial Balance with the footings of the Ledger, then the Ledger items with the Journal entries, Cash Book entries, etc. This checking process should be so arranged at the beginning, and so systematically carried out by making a mark opposite *each item in each book*, that nothing can escape detection. The check marks are more readily noticed if made with red or blue pencil, or red ink. In the checking or "calling off" there should be two persons, and it is customary to call from the Ledger back to the Journal, Cash Book, etc., as it more surely catches the error than calling in the direction in which the posting is done. If books have been closed since the last Trial Balance, the balances brought down should be tested by having a Trial Balance taken from them first. This checking operation should :

1. Prove that all entries in the Journal are properly posted to the Ledger, or discover such entries as are not posted that they may be duly posted.
2. It will discover if anything has been put in the Ledger that has not been first Journalized. Such amounts will remain unchecked when the Journal entries, etc., are all checked. If such entries *should* appear in the Ledger, a Journal entry can be made giving an equal Dr. and Cr., thus bringing the Ledger into balance. This is one of the most common errors we find in auditing. A book-keeper or other officer makes a settlement, and charges a customer's account with a trifle for interest or something else without making a Journal entry, or settles for a little less than the real balance and writes in the account to or by error, or some such entry to close it up, and never thinks of making a Journal entry for it. Such items are thus detected.
3. In checking the Trial Balance with the Ledger care must be taken to see that every account in the Ledger, that is not in balance, is entered in the Trial Balance, that none are omitted, and, second, that they are entered on the proper side of the Trial Balance. We have seen a Dr. item placed on the Cr. side give very much trouble. For this reason we would suggest to take debits only or credits only first, that is, only debits or only credits, until such debit side or credit side is finished, see if anything is left out or wrongly inserted on that side, then, when it is all right, take the other side and do likewise with it. It is always better for two to check together, one with the Journal, etc., and the other with the Ledger. Careful checking and comparison will locate all errors of posting.

## How to Arrange Trial Balances So As To Be Able To Test Them.

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Some book-keepers go to the unnecessary trouble of striking a balance of each account mentally or in pencil, and taking the Trial Balance of *Balances* only. This is entirely extra work, and a work in which errors are as likely to occur as in any other part, and perhaps more likely to be made in the subtraction than in the addition with many.

Let us advise the book-keeper never to take his Trial Balance in this way. If a Board of Directors require one drawn off in this way, make your own first with the totals, and theirs afterwards from your own, unless you are infallible and don't make an occasional error like most book-keepers do that we know "in the flesh." We believe most of them, if not all, will be out of the flesh before they cease making errors.

We will suppose that you take your Trial Balances monthly, and that you are systematic in your work, and are willing to keep the monthly Trial Balance in mind all through the month, and that you will preserve results daily to make your test, it does not matter whether monthly or not, you are ready to take the Trial Balance and prove it. You can use for your own convenience a Proof Book or Proof Sheet for keeping results in. We have used an ordinary pocket pass book, and we have used a loose sheet of paper, and we have fastened a sheet of paper temporarily in the back of the Journal or Cash-Book to keep results for the month on. Suppose you post from Journal, Cash-Book and Sales-Book, these three will suffice to give us an example of what should be done. You will keep a record on your Proof Sheet or Proof Book of what you post from each book daily, unless in these books you carry forward your totals for a month. In this case you will have very little to put in the Proof Book—only the amounts of the various accounts for the month that are balanced and ruled up. Now we will suppose you have carefully kept either in your Proof Book, or by carrying forward the daily totals the business posted from each book, we will use the results thus for April, 1892.

### TRIAL BALANCE PROOF AT APRIL 30, 1892.

	Dr.	Cr.
Totals of Trial Balance, March, 31, 1892.	67934 40	67934 40
Posted from Sales Book to Dr. Customers and Cr. of Merchandise a/c	16471 26	16471 26
" " Dr. side of Cash-Book to Dr. of Cash a/c and Cr. of other a/cs	9724 90	9724 90
" " Cr. " " Cr. " " and Dr. " "	9689 47	9689 47
" " Dr. and Cr. of Journal to Dr. and Cr. of Ledger	10647 79	10647 79
Totals	114467 82	114467 82
Less the amount of all the accounts balanced and ruled up during April, 1892	22671 73	22671 73
Amount of Trial Balance at April 30, 1892	91796 09	91796 09

The above items need little or no explanation. The book-keeper will see how easily he can keep a little space in his pocket note book for each of the four classes of items added to last balance, and the one deducted, and how easily the true sum of the Trial Balance can be arrived at in advance of the Trial Balance being made.

Now by taking the sum of all the open accounts, both debits and credits, there will be no trouble to ascertain if both sides are correct or both sides wrong, or if only one side is wrong, which one, and how much. If both sides are out, you know how much each side is out, and what amount of error to look for, and you will likely find it readily. We have used this plan for many years, both in accountants' work and auditors' work and know that it works well.



We remember planning a set of books for a large firm, embracing wholesale work, retail work, and manufacturing. We arranged a separate Ledger for cash, and a private Ledger for the firm's Capital Account—four in all. A book-keeper was in charge of each of the three working Ledgers, and a member of the firm kept the private Ledger and the general Cash-Book. One of the book-keepers kept the General Journal, and Sales Books. Other convenient books were arranged to suit each department. By a little ingenuity in the arrangement of special columns in the Cash-Book and Journal, for each Ledger we had no trouble in applying the foregoing plan to cover the entire set of books, and so arranged it that the partner and the head book-keeper had the sum of the debits and credits of each part of their Trial Balance by just the same process of memorandum proof book as outlined above. The sum of all the proofs of the Ledgers gave the sum total of the Trial Balance for the whole set.

The following is another division we made when auditing the accounts of a large corporate concern of over four hundred shareholders, with capital only partly paid up, the Trial Balance considerably out, and not an attempt had been made at taking one for a year. A former audit being the date of the last one, which of course made a correct starting point. We divided the accounts, about twelve hundred and fifty in number, into Stockholders' Accounts, about 400; Accounts with Customers (Personal Accounts Receivable,) about 800; Working Accounts, including about half a dozen accounts with the persons from whom material was brought, (*Personal Accounts Payable*) about 50. A six-column Journal and a Cash-Book with three Dr. columns and three Cr. columns was simply arranged for the future, so that the Trial Balance could be readily proved in each of the three parts separately, and by separating out the entries for the year past in the Journal, and with the aid of the special columns already used in the Cash-Book and Sales Book, which were added up for a year without balancing, the whole Trial Balance for the year was straightened out and proved in each of the three parts separately, and all recorded correctly in less than half a day, and there were at least twenty corrections to make in order to get it correct.

We just give these examples of what we have seen this class of proof do, and that it can be applied not only to whole Trial Balances, but to parts as well, but only when Trial Balances are taken off the accounts as they stand, and not of balances. You can not get any proof for balances of a whole set of books. We met a short time ago a book-keeper who paid \$30 to a so-called American expert for a "wonderful secret for proving Trial Balances just discovered." It contained less information than is contained in the foregoing proof statement. It was on the same principle. Don't give away the hard earnings you have accumulated while digging for errors in your Trial Balance for any magical plans of finding errors; you are likely to pay very dearly for something that is useful, but which may be known just as easily by reading up. There is no magic about finding errors. They are all found by plain common sense and persistent work, coupled inseparably together. A little careful investigation of the principles that underlie Double Entry and mathematics generally, will be of great assistance.



## Unit Lines.

The fine lines in the dollars columns of this ruled paper, are called unit lines ; so called because they separate each figure from the one next it. These lines keep the figures nicely under one another, so that they both look well and add easily. There is no necessity to enter into details of the benefits derived from the use of these in all books, bill-heads, statements, reports, &c., where quantities have to be added. The author was *at least* one of the first to introduce these unit lines into books. It was only after considerable grumbling that the rulers in two of the largest Blank-Book Houses in Toronto could be persuaded to rule some books they were manufacturing to his order in this manner. They complained that they had never done that kind of work before, and that it was of no use. Now both firms have almost every common blank book kept in stock ruled in this way. Where the columns are intended for 5 or 6 figures, it is well to rule the line dividing the hundreds from the thousands in another color, say purple or green. It will facilitate the putting down of the numbers or amounts.





*gave you, viz., Cash \$12—Old Stove, \$8.* You may debit the old stove at what account you please. It should appear at the credit of the Customer's Account. In short the Customer's Account should show the detail of your transactions with him.

Examples such as these might be added in a work of this kind *ad infinitum*. It will be sufficient to add another: John Black has given us his note at 60 days for \$162.20 to balance his account. We handed it immediately to Alexander Sinclair to be placed to the credit of our account. Many are content to enter this kind of transaction thus—

Alexander Sinclair Dr. \$162.20

To John Black \$162.20

This is really not a representation of the transaction. There are two transactions—the receiving of a note from one person, and the paying it out to another person. There is no reason why it should be crowded into one entry. Let it be put into two—

Bills Receivable Dr. \$162.20

and Alexander Sinclair Dr. \$162.20

To John Black \$162.20

To Bills Receivable 162.20

Lay it down as a foundation principle just as firmly as you do the "Equal Debit and Credit" principle, that you will not run into one Journal entry what could better be put in two or more. If two or more entries will make the transaction clearer or more complete as a record in the accounts do not scruple to make half a dozen entries to properly record it. We have seen persons try to shorten their work by such imperfectly recorded transactions in the way of Journal entries, who would faithfully Journalize their Cash-Book in the Journal after having first of all Journalized it in the Cash-Book. It is the poorest kind of economy of time and paper to do such work. We have known many a book-keeper dismissed for such work, simply because a customer's account did not show on its face all the transactions with such customer.

In connection with every Journal entry, whether made in Journal, Cash-Book, Invoice-Book, &c., do not be afraid of a few lines of explanation. Don't be afraid to occupy three or four lines in a Cash-Book for explaining one entry. We do not advocate long wordy dissertations regarding a transaction, but the most brief entry consistent with clearness.

## Books of Original Entry.

A book of original entry is one in which business transactions are put down for the first time. These original entries may be the memo on the stub of a Receipt, Cheque, Note or Draft Book, an entry in a Blotter or Cash Book, or Journal, Day Book, the Counter Check or Charge Ticket, made out by the sales' clerk at the counter, etc. The first entry of a transaction is looked upon always as being the most trustworthy, as the record was made at the time of the transaction or soon after. Being the nearest to the transaction it is most likely to be correct, as details of the bargain or contract would be fresh in the memory of the person recording them. Every careful business man will carefully preserve all these original entries, in whatever form they may appear. The failure to produce these original entries, if they belonged to any charges that were subjects of litigation, would probably cause the loss of the case, or the loss of the items at least, or which no original entry could be found. We need scarcely suggest that the person

who makes his original entries on a slate and then copies them into a book need not expect to make use of his books as evidence in court. A record on the commonest paper, if preserved, would be perfectly good. It is proper to suggest here that though the book-keeper may make use of a knife, an erasing rubber or erasing fluid on his Ledger, let him carefully avoid using them on his books of original entry. If an entry is not written down correctly, write it out again and rule out the amounts in incorrect record with red ink and write some word before it, such as "nil" or "void," to indicate that it is not to be posted. It might be well also to write a note referring to the page on which the correct entry will be found and the reason why the one in question is wrong. In any case don't do any of the following acts :

1. Do not tear one leaf or leaves or parts of leaves out of a book of original entry.
2. Do not scrape or erase in any way a record of a business transaction so that it cannot be read if required.
3. Do not interline transactions between others.

Any of the three foregoing items is sufficient to create a suspicion that some crooked work has been done, and in court of law the presumption would be against your books from the beginning.

Books of original entry should be carefully arranged so as to summarize work as much as possible, so that totals can be posted instead of single items. The more carefully the books are systematized and arranged for posting totals directly to the Ledger the more the work of the book-keeper is shortened down. It is a mistake to suppose that because more books are added that the work is made more difficult or longer. The very opposite is true. The work is both simplified and shortened, and the liability to make errors greatly decreased. The more times you copy a transaction from one book to another, the more chances there are to make mistakes ; the more direct the line, the less liability there is to make errors. Hence, the old Day Book and Journal, as two separate books in the Italian method, have given place to the Journal Day Book, a combination of the two, and the Journal is divided up into various special books, such as Sales Books, Cash Books, etc., *ad infinitum*. Book-keeper ! if you would ease yourself from work and errors, post directly from those books to the Ledger, summarize your work and post totals wherever you can.

## Principal and Auxiliary Books---Direct Posting.

A principal book is one that you post from regularly to the Ledger. An auxiliary book is one that is used simply as a sort of side record. A Journal is always a principal book. A Cash Book is a principal book, if you post from it direct to the Ledger ; it is an auxiliary book if you first enter the transactions in it and then journalize them over in the Journal before posting. A Sales Book is a principal book if you post from it to the customers' accounts, but an auxiliary book if you take the extra trouble at the close of the day or month, to run the sales all through the Journal, even if done in totals.

Let us advise you to use these books, and all others that your business requires, as *principal* books. Post directly from each of them—post totals whenever you can. The oftener you transfer these transactions the more blunders you will make. If a business

man will carefully lay out his business transactions into departments, and do his work systematically, arrange his books to post directly to the Ledger without any long copying processes, and if he will post all the totals of transactions that he can, he will keep his books just as easily by double entry as he can by single entry. And the books will be kept three times as well, and the record of the business will be three times as good. In the single entry you have only one class of accounts, viz: Accounts *with persons*, while in the double entry you have accounts (1) *with persons*, (2) *with property* and (3) *with allowances or expenses*.

If books are kept by double entry and posting done directly from three or four principal books, then a Trial Balance can be taken with very little trouble, and, should there be an error in it, that error will not be half so hard to locate as if it were all run through the Journal in the old-fashioned style. When books are posted in totals wherever possible it is comparatively easy to establish a little arrangement whereby to know in advance just what the addition or sum of the Trial Balance will be, and thus know if only one side is out or if both sides are incorrect. Direct posting has everything in its favor, both in the saving of time and the accuracy of the results. Reader, if you are following up the old styles, hasten to abandon them. The principles of double entry are the same throughout—there is no change from the *principles* laid down in Italy long ago. The *practice*, however, is improved immensely in favor of ease to the weary toiler.

In order to change from old practices in double entry to new ones considerable study and care are necessary, 1st, to discover really where the particular business will admit of systematizing, where oft recurring entries may be grouped together and conveniently handled, so that all the transactions of a kind for a day, a week or a month may be posted in one entry just as readily as each transaction can be posted separately; a dozen or a hundred may be grouped together.

For all such work it is primarily necessary that the book-keeper be both quick and accurate in addition. If he is he will have no trouble. If he is either careless or inaccurate he will have troubles, many and often. However, we should not speak of a careless or inaccurate man behind the accountants desk. He has no place there; in fact, he is not much use any place, but no use at all on books. He is a constant worry to others, and his life is burdensome to himself, while he is at such work.

## Changing Books From Single to Double Entry.

A set of books have been kept by single entry, and they are to be changed to double entry. It matters not whether they are for stock companies or ordinary partnerships or single ownerships, the principles are just the same for all. The work of changing may be divided into three parts for convenience :

PART 1. Draw off from your Ledger and such other books, inventories, &c., as you have, a statement of the Resources and Liabilities of the business and find the Present Worth, and, by comparison with the worth at a previous time, find the Loss or Gain during the term of business.

This making of a statement is the basis of the two parts that follow. It should be carefully prepared so as to include all the Resources of the concern, as well as all the

Liabilities, not but what the books would balance if some property were inadvertently left out of the statement, for they could be made to balance if half the property the concern owned were left out of the statement.

PART II. The Ledger of the single entry book would only contain the Personal Accounts receivable and payable. When changed it will contain not only the accounts with persons, but with all the property owned by the firm and what is owed on note, mortgage, &c.

You will, as the second step, open up an account in the Ledger for every Resource and every Liability that are in the Resource and Liability statement made under Part I, and enter all the Resources on the debit side of their respective accounts and all the Liabilities on the credit side of their respective accounts.

This proceeding will bring into the Ledger all the belongings of the business.

PART III. Enter up the net gain or loss, according to the Resource and Liability statement in Part I, into the Proprietors' Capital Account, and thus make it show the Net Worth according to the statement and the books will be in balance, because on the Dr. side are all the Resources and on the Cr. side all the Liabilities, and the Net Capital and the Resources = Liabilities + Net Capital, therefore the sides must be equal. If the business were carried on by a partnership, each partner's capital a/c. would be treated just in the same way as the capital account in the above case. If the concern were a Stock Company business the Present Worth, according to the statement compared with the paid-up capital, would show whether the capital had been impaired or whether there was a surplus of profits. If the Present Worth of the company were greater than the paid-up capital the surplus would be accumulated profits, and instead of being entered on Cr. side of Capital Stock Account would be entered to the credit of Loss and Gain, if it were proposed to pay it, or part of it, out as a dividend on capital. If it is proposed to retain it in the company, enter it on the credit side of some account that is charged with the accumulations of profits, such as Reserve a/c., Rest a/c., Surplus a/c., etc., thus leaving Capital Stock to represent the par value of the shares.

If the paid-up capital were greater than the present net worth the capital has been impaired the amount of the difference between them. Enter the Capital Stock a/c. up at its full par, and debit some account with the amount of capital that has been lost. Such account might be named Impairment a/c., Organization a/c., etc., or the impairment of capital could be carried to the Dr. of Loss and Gain Account for the time being.

When the books have been changed to double entry, a Trial Balance should be taken. The Dr. side will correspond with the Resource side of the statement in Part I, except in case of a Joint Stock Company with an impaired capital. The Cr. side will agree with the Liability side of the statement, adding the Capital Account or Accounts, and, in case of a Stock Company, the amount of Reserve or Rest a/c., if there be such.

## Resources or Liabilities Forgotten or Unknown at Time of Change to Double Entry.

Suppose that some valuable resource had escaped the notice of those making inventories and changing books to double entry—take for example a piece of Real Estate worth \$500—it would be entered up just as an additional investment by making



an entry, Real Estate, Dr., \$500, to Proprietor, \$500. If a partnership, the interest of each partner would be substituted for proprietor—Real Estate, Dr., \$500, To A. Moore (Capital a/c.), \$300, To S. Wilson (Capital a/c.), \$200. If the business were that of an incorporated company it would be entered, Real Estate, Dr., \$500, To Reserve a/c., \$500, or some similar account. If the capital were impaired it would be credited to the Impairment a/c., to partly or entirely wipe out such impairment.

If some liability were omitted from the statement it would be entered up when discovered, in the same way as a withdrawal of capital. Suppose a note (Bills Pay.) of \$200 were to turn up against the business, we would credit Bills Payable and debit the proprietor for the amount. If it were in a partnership we would debit each partner with his share and credit Bills Payable; if in a Stock Company, it would be charged to the debit of Reserve a/c. or Rest a/c., if there were such, as they are too great on account of the leaving out of the note. If the capital were already impaired the discovery of this impairment would increase the impairment; therefore, Organization a/c., or Impairment a/c., or some such account, would be debited and Bills Payable credited for the amount.

## Taking Over a Set of Books.

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There are numerous things to be taken into account when taking charge of a set of books that have been kept by another person. We will suppose, in the first place, that the books have been properly kept by double entry or single entry, as the case may be, if your predecessor is a careful accountant he will have a Trial Balance made out and initialed by himself. He will also initial principal accounts, showing thus at what point his responsibility for correctness ends.

### (1). Initialing Books, Accounts, &c.

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Now, whether your predecessor has or has not done this, the person taking the books should initial the Journal, Cash Book, Bill Book and the principal accounts in the Ledger, especially those that represent property, such as Bills Rec., etc. You will check over the Trial Balance with the accounts, see that it is in balance and that it faithfully represents the accounts in the Ledger.

### (2). Checking off Property.

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It is not only necessary to see that the accounts have been accurately kept, but that there is property handed over to you that the accounts represent. For instance, you will check off with the Bill Book, or make a list of all notes on hand. The sum of the notes must equal the balance of the Bills Receivable per Bill Book and per Bills Receivable account. Mortgages must be treated in the same way. Cash requires special attention. Make a list of all the actual money delivered to you—this must be equal to the balance per Cash Book and Ledger. If possible have all such lists of Notes, Mortgages, Cash and other property signed by the person delivering it, as well as by yourself.

### (3). Study the Method Used in the Books.

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It will require diligence and hard work on the part of the person taking up the set of books to enable him to handle them properly from the beginning. Study carefully by tracing transactions through various books until you find out just what routine had been followed. Familiarize yourself with the history of each account, learn all circumstances regarding each Personal Account that will enable you to do business with the person intelligently. See what books are kept as principal books and what as auxiliary books, and how Bank Account is kept—study carefully the routine, and carry it out faithfully. If you are not sure as to the routine, refer to some similar transaction entered up by your predecessor. Do not be afraid to put reasonable questions to your employer, but do not quiz him about every trivial matter that every book-keeper ought to know on general principles.

### (4). Do Not Make Rash Changes.

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You are supposed to have made yourself familiar with the routine work of your office. After that, don't be "too fresh," metaphorically speaking. Be content, for some time at least, to continue the books as they have been, unless your *employer wants* a change, then he will tell you what he desires and you will, of course, endeavor to make any changes necessary to carry out his wishes. Do not rush into changing from single to double entry, or other important changes, unless first approved by the proprietor and made at his request, and not at yours. Do not think, because you have kept books in some establishment for a time, or taken a course at a Business College, that you have captured the entire wisdom of the world on the subject. Remember, there are a great many ways of arranging books in both double and single entry, and that some one else's ideas may be just as good and as practical as yours. In other words, don't lay it out as your bounden duty to crowd everything into your bushel measure. Some one else's bushel measure might be just as good as yours, but an entirely different shape, and still both will accomplish the same work when used.

## Books Taken Over Out of Balance.

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Should it ever be your misfortune to take charge of books kept by double entry by an incompetent or careless book-keeper, all the points mentioned under the previous heading will be applicable, but let them be carried out more rigorously than where books are in fine order. Suppose there is not a correct Trial Balance, or that you find the books out of balance and cannot get time to find the error and correct them, what will you do? The work must be kept up, and you want a Trial Balance.

### What to Do.

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Take a Trial Balance, get it as nearly in balance as you can, then ascertain the difference between the sides. Suppose you find the Dr. side the greater by \$136.40, open a "Balance Account," place on the Cr. side Nov. 15/91, By difference in Trial

Balance, \$136.40, and put this account in your Trial Balance in the meantime as an account the same as the others of a real nature, this one being purely fictitious. Now, you should not go scraping and erasing the work of your predecessor, therefore all corrections should be made by making *cross-entries*. Suppose you find errors, as you will in course of time, suppose you find out a mistake in a cash balance six months ago, that cash should have been credited for \$100 more than it has been, you would not think of changing all the balances made since that time, you would make an entry, Balance, Dr., \$100, To Cash, \$100. Now, your cash is corrected and your Balance account is reduced to \$36.40. If you find all the errors and correct them by cross-entries the Balance account will, by these cross-entries, be closed. If it is not closed you may be sure that all the errors have not been found. If they cannot be found the board of directors may pass a resolution, if it occurs in a Stock Company, writing the part that remains into Loss and Gain a/c. Your monthly, or half-monthly, Trial Balances, as the case may be, are, in the meantime, regularly taken off, keeping all subsequent work correct.

## Suggesting Improvements.

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If the books you take hold of are badly kept, first get all errors and discrepancies corrected or reconciled. If you see some way in which the methods can be improved, it would be proper to make *suggestions* to the Manager, Proprietor or Board of Directors. Do not be dictatorial in such a matter, and always, before making such suggestions, be sure you see the end as well as the beginning. In other words, be sure you know where the course you are going to recommend will lead to, what results it will bring about, before you launch into it. Endeavor to ascertain the desires of your employers as to what results they require, and strive to meet these requirements in the best possible manner.

## Suspense Account.

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This is the title of an account used by many accountants. It is simply an account into which to write, for the time being, any transaction for which there is not information to enable the book-keeper to deal with it fully or permanently. For example, a remittance of cash is sent to you and the letter is not signed—you do not know who it is from; another comes without explicit directions as to what it is for. These sums might be credited to Suspense Account, pending the arrival of further information, when they would be written into the correct account. The Suspense Account would be debited and the proper account credited with the amount. This account is, then, only a temporary receptacle for items that cannot be put to the proper account for lack of information. In some cases it is used to charge sums of money that are placed in a person's hands for some purpose, such as making a settlement of a disputed claim, &c., the account being credited when a report is made and the transaction closed up.

## Suspended Accounts

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This Ledger heading is slightly different from the title of the account just preceding, viz, Suspense Account. Its purpose is entirely different. It is an account in which all such accounts as cannot be collected are placed, when they are written off the Ledger as “*bad Debts*.” As auditor, we have frequently written off thousands of dollars of such accounts. Every man who does business on the *credit* system has more or less of them. These claims are now uncollectible, but sometime they may be collectible. The debtor may be in a position that he may be sued before the debt is barred by the statute of limitations, yet such accounts could not be taken into a Balance Sheet as a valuable asset of the company. If these are written into Bad Debts a/c. and then sued, should the debtor be thought worth it, the very words, “bad debts,” would prejudice the court against the claim. It would seem as if you had taken it for granted long ago that the debt was bad, and that, perhaps, on account of a defective claim on your part, rather than an inability to pay on the part of the debtor. In any case, it gives ground for a presumption against you. This is not the case, if a title “Suspended Account” is used.

This account is used in two ways : 1st, the doubtful accounts are actually closed into this account—Suspended a/cs., Dr., \$42 20, To Timothy Smith, \$42.20. The “Suspended Accounts’ Account” is then closed into Loss and Gain, when such doubtful accounts have been first closed into it, either for the total amount or for a percentage of it.

The second method is to write in *red ink* over each doubtful account the words “Suspended Account,” so that it may be left out of the Trial Balance, leaving the account unchanged and open. On the Dr. side of the account “Suspended Accounts” place the man’s name and the amount. When closing time comes, close “Suspended Accounts” into Loss and Gain.

If any such account is ever paid afterwards, post the payment directly to the debtor’s account that yet remains open, and at the same time enter the amount on the Cr. side of “Suspended Accounts.” This will lessen the amount to be written to Profit and Loss for the year.

## Figure Posting.

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Many book-keepers and proprietors, who wish to be “saving” in the use of the Ledger, adopt a plan of posting to the Ledger accounts without giving any explanation in words, the page from which it was taken in the Journal being given in a fractional form, with the amount of the transaction. Thus, suppose an item of \$2.45 was, on page 71 of the Journal, to be posted to Thos. A. Brown’s account, it would appear thus  $\frac{\$2.45}{71}$  in Brown’s account. Under ordinary circumstances a line is used for each transaction ; by this method of figure posting, from four to eight transactions may be posted into one line and the total extended into the money column.



Dr.

THOS. A BROWN (Wiar-ton).

Cr.

1891	\$2.45	\$0.60	\$14.90	\$4.62		1891	\$2.00	\$10.00	\$10.00	\$5.00	
	71	74	87	90	\$22 57		74	90	106	107	\$27 00
	\$12.70	\$0.35	\$0.84	\$7.26			\$5.00				
	106	109	124	130	\$21 15		125				

As accounts are usually made out from the Day Book, this style of keeping the Ledger gives the balance of the account and the Day Book pages on which to find particulars as to the various sums. This method is given for what it is worth for use in the Ledgers of ordinary businesses. It cannot be recommended for use in Joint Stock Company work, where audits have to be made annually or oftener, as a word of explanation is often necessary in checking over the accounts to establish the correctness of the work.

## Various Styles of Ledgers.

The Ledgers of any business should be suited to the needs of that business. The ruling should usually be to order to meet the requirements of the business. The distance between the faint lines should suit the person who is to use it. Usually posting is done in small writing with a fine pen, and it is found under such circumstances that  $\frac{3}{16}$  of an inch is sufficient space between the lines. This is just about half the space between the ruled lines on ordinary Foolscap. The arrangement of money, folio and date columns would also be dictated by the needs of the work and the worker. A Ledger should not be too thick. It is better to have two of 500 pages, each, than one of 1000 pages. In almost all businesses the work in the Ledger may be divided into two or more departments. For example: (1) Personal Accounts, (2) Working Accounts. Or as an example of three kinds: (1) Personal Accounts Receivable, (2) Personal Accounts Payable, (3) Working Accounts. These Working Accounts would include such as the Proprietor's Capital Account, Loss and Gain, Bank, Cash, Bills Receivable, Bills Payable, Merchandise, and all branches of expense, such as Fuel Account, Light Account, Printing and Stationery Account, Salary Account, Wages Account, Interest and Discount Accounts, &c. One person can then take charge of each department.

(1) Some retail firms keep a Ledger in a book ruled in the same way as a Day-Book, using the left page for the débits and the right hand page for the credits. The items are all written in full, and the Ledger Account is a fully itemized statement of the account. If the customer wishes a written account, it is copied from this book to the Bill-Head without reference to the Day-Book.

(2) Another form of Ledger is kept in a book ruled the same as a Journal, an account to a page, thus:—

JOHN RITZ, (104 Scrope Street.)

Fol Dr. Cr.

Jan.	15	To 2 doz. eggs . <sup>30</sup> , 3 lbs. butter . <sup>75</sup> , 1 broom . <sup>25</sup>	42	130	
"	15	By Cash - - - - -	16		1 00
"	27	To 1 suit clothes <sup>16.50</sup> , 10 yds. dress goods <sup>4.50</sup> , Trimmings <sup>2.</sup>	56	23 00	
"	27	By Cash - - - - -	29		10 00
July	10	" " - - - - -	37		5 00

One trouble with this is that the history of both debits and credits are mixed up, and an item may very easily slip into the wrong column and pass unnoticed in a settlement. Suppose the last item of \$5 in the above account had been placed in the Dr. column by mistake, the account would be \$10 wrong. To make it correct another entry correcting it should be of the amount of \$10. If the item of \$5 were left on the Dr. side, and one of \$5 is placed on the Cr. side as a corrective, it will only be half corrected.

The subjoined form is worked on the same principle as the Deposit Ledger in a Bank. There are Dr. and Cr. columns, and a balance column. Every time a transaction is recorded, the balance of the account is struck. The accuracy of the balance may be tested any time by adding the Dr. and Cr. columns and subtracting them. The outside column is for Dr. or Cr. to indicate which way the balance of the account stands.

C. F. LISTER.

Date.	Particulars.	Fol.	Dr.	Cr.	Bal.	Dr. or Cr.
1891.						
July	To Goods - - - - -	76	15 40		15 40	Dr.
"	" " - - - - -	79	36 90		52 30	"
"	" Cash - - - - -	91	28 50		80 80	"
Sep.	By Salary - - - - -	99		120 00	39 20	Cr.
"	To Goods - - - - -	106	4 10		35 10	"

A simple form for a Petty Ledger for customers who have a transaction or two a year charged to them, is to put a few sheets of ordinary Foolscap in the back of the Ledger, and devote one line only to each account. They may be posted in "figure" style, or by giving items in detail. They should be numbered consecutively, and indexed by number. This is a convenient form to have the accounts in. They are under the scrutiny of the proprietor without hunting through voluminous Ledgers for small accounts.

**PETTY LEDGER.**

1.	S. J. Somerville	\$2.28	Cr.	\$1.00	Cr.	\$1.28
		75		92		106
2.	Ralph Davis	\$4.50	Cr.	\$4.50		
		64		104		
3.	M. Graham	\$17.75	Cr.	\$10.00		
		84		118		
4.	J. Young	\$13.67				
		90				

The following is a form of Ledger suitable especially for wholesale work. As a rule the transactions on the Dr. side require explanation, such as the terms on which the goods are sold, while the Cr. side usually shows "Cash" or Bills Receivable. Then the additional columns are useful to extend the amounts of monthly statements, on the Dr. side, and monthly settlements, &c.; on the other. In this way the necessity of really balancing and ruling up an account each month, or as often as a settlement is made, is obviated. It shows the monthly volume of business with any firm at a glance. Also the totals are easily made out, so as to show the annual volume of the business with each person and firm, and thus the value of the account. This style of Ledger is an easy one from which to take Trial Balances. Each month's extensions are made into the extra columns and added to the Trial Balance amount the previous month. The figures in lead pencil or red ink used frequently by book-keepers in reference to their monthly Trial Balances can be left in the monthly total columns each time, and not mixed with the figures of the ordinary debits and credits of the account.

Dr.				J. McLAUCHLAN & SONS, (Owen Sound.)				Cr.			
1891											
June	12	To Goods, 30 days,		196	22 64			June	28	By Dft. 4 mo.	230 224 40
"	15	" " 4 mos.		207	224 40			July	15	" Cash	104 126 84 353 24
"	22	" " 30 days		220	106 20	353 24		"	27	" "	109 39 90
July	5	" " 4 mos.		260	42 00			"	27	" Dis. 5 %	285 2 10 42 00
"	20	" " 4 "		281	78 00	120 00					
Aug.	15	" " 4 "		296	108 75						
"	15	" " 30 days		296	75 00	183 75					

## Private Ledgers.

It is not always considered necessary nor judicious to allow the employees in a Company's office, or in any business office, to have access to the Capital Accounts, and to know all the conditions and agreements existing between partners, shareholders, &c. Such information is usually entrusted to one confidential clerk. In many other cases the partners only in a partnership, or officers only of a Company, are privileged to know such affairs. In such cases the Capital Accounts, and perhaps a few others, are kept in a *Private Ledger*, sometimes a *Locked Ledger*, to which only a certain person has a key. If only the Capital Accounts are kept in such Private Ledger, any ordinary book-keeper, if he is inquisitive, can ascertain the total capital of the firm or company when the books are kept by Double Entry, by simply subtracting the Cr. side of the Trial Balance from the Dr. side. He cannot however ascertain the conditions regarding Capital existing between the partners. For this reason it is customary to keep a few other accounts in the Private Ledger, such as Suspense Account, or Bills Payable, or Bills Receivable, or Suspended Accounts, to make it more difficult to ascertain by any process of addition or subtraction any idea of the Capital of the concern. In taking a Trial Balance, the keeper of the Private Ledger has the same means of testing his accuracy as he has of testing other Ledgers outlined elsewhere in this book. He simply gives the net balance of his Ledger, or the sum of the Dr. and Cr. sides to the person making the Trial Balance in order to complete it.

## Insurance.

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A contract of Insurance is one by which one party engages, for a certain sum of money to assume a certain risk which another would otherwise bear. It is a contract of guarantee against loss, damage, injury, hurt, etc., that might happen to a person that is the owner of or has an insurable interest in property, etc. Of the many kinds of insurance we might mention the following :

Fire Insurance.

Marine insurance.

Life Insurance.

Accident Insurance.

Fidelity Insurance.

There are various less important forms of insurance of which might be mentioned that on Live Stock, on Plate Glass, on Boilers, etc. In the beginning of the study of this subject it may be well to have a few of the common terms explained, so that the student may better understand what follows.

*The Application.* This is a form furnished by the insurance company and filled up by the person effecting the insurance, giving a description of the property to be insured. It forms part of the contract of insurance.

*The Insurer or Underwriter* is the company or person that guarantees the other party against loss.

*The Insured or Assured* is the person whose risk is carried—the owner either of the property or of an insurable interest in the property.

*The Policy* is the contract of the company or underwriter, by which they agree to indemnify the insured against loss.

*The Premium* is a term applied to the amount paid for the insurance, either in cash or note.

*Earned Premium* is the part of the premium used up in paying working expenses and losses ; for example: A company insures a property for a year. At the end of three months one-fourth of the premium would be used or *earned*.

*Unearned Premium* is the portion of the insurance not used up in paying claims and working expenses. In the example under earned premium three-fourths of the premium is unearned because three-fourths of the term is still to run.

*Refund Premium* or returned premium is any portion of the premium that is returned by the insurance company at the termination of a policy.

## The Control of Insurance.

There is a point to be settled in the future as to whether the Dominion or Provincial Governments should control the business of insurance. Undoubtedly both the provincial and federal governments now charter companies and associations that carry on the business of insurance, and both exercise more or less control over the companies they have chartered. It is not our purpose to debate the constitutionality of either the federal or



provincial legislation. It is sufficient to say that the Province of Ontario, for example, has not only granted charters to both fire and life insurance companies, and has licensed companies otherwise incorporated to do business in Ontario, but also has their books annually inspected to see that they are solvent and are doing an honest business.

### Fire Insurance.

We have made a division of insurance into the various kinds, and we propose to consider one kind specially in these pages, viz., *Fire Insurance*, and we will proceed to define it.

*Fire Insurance.* A contract whereby the insurance company agrees to make good to the owner of property any loss or damage to a certain amount occasioned by fire or lightning. This includes

- (1) Actual damage or destruction of the property by fire or lightning.
- (2) Damage to the property by smoke from the fire.
- (3) Damage to the property by the water used in quenching the fire.
- (4) Damage to property occasioned by removal to save it from fire.
- (5) Loss of property by theft, etc. when being removed to save from fire.

Insurance is usually effected between an agent representing a company and the owner of property by the owner making application to the company for insurance, giving a description of his property, and paying his premium to the agent. When this has been done the agent gives the insured a Provisional Receipt, or Interim Receipt. This receipt acknowledges payment of the premium and grants insurance on the property for thirty days or longer, until such times as the directors of the company have time to examine the application, accept it, and issue the policy, or else reject the application, and return the premium to the insurer. The following is an ordinary form :

No. 24,570.

#### NORWICH UNION FIRE INSURANCE SOCIETY.

Head Offices : Norwich and London, England.

Chief Office for Canada : Toronto.

Parry Sound Agency, Mar. 19, 1891.

RECEIVED from W. B. Rowe the sum of Two . . .  $\frac{55}{100}$  Dollars, being a Deposit for an Insurance against Fire for \$300.00, subject to the Society's printed conditions, on Household Furniture, in house on Lot 7, Patterson Street, for which (if approved of, on further particulars being received) a Policy will be issued in terms of Assured's Proposal of March 19, 1891. This protection not to extend beyond Thirty Days from the date hereof, and previous to the issue of a Policy may be cancelled by notice from the Agent, and a proportionate part of the premium (if any is due) returned to the Assured.

Premium @ 85% \$2.55.

R. CHRISTIE, Agent.

If the directors find that the application gives a satisfactory report of the property and the character of the applicant for insurance, they direct that a Policy be issued to take the place of the Provisional Receipt issued by the agent. This Policy is the written obligation of the company agreeing to pay the insured person a sum of money in case of loss of the insured property. Policies may be divided into two kinds :

(1) *Closed, or Valued Policy*, where certain definite property is insured for a fixed sum.

(2) *An Open Policy*, such as would be put on a warehouse where goods are constantly being received and given out. All goods coming in are entered in the Policy at the time they come in and a slight premium paid on all goods entered.

Policies may be divided according to the contract into

(1) *Specific Policies*, where particular articles are insured in particular places only. In such a policy as this, if the horse happened to be burned in the cow stable or in the barn, no insurance would be paid because he was not burned in the horse stable.

(2) *A Blanket Policy* is one that insures the contents of a building as such and makes a contract to pay the loss of the insured property wherever it is destroyed.

The following is an ordinary form of Policy :

No. 1,491,007.

SUM INSURED, \$300.00.

NORWICH UNION FIRE INSURANCE SOCIETY.

HON. G. W. ALLAN,

President.

T. C. PATTESON, ESQ.,

Vice-President.

ALEXANDER DIXON, General Agent.

IN CONSIDERATION of the Sum of Two . . .  $\frac{55}{100}$  Dollars, and of the representations, conditions and warranties hereinafter mentioned or referred to, THE NORWICH UNION FIRE INSURANCE SOCIETY, of Norwich and London, England, HEREBY INSURES in manner hereafter appearing, William B. Rowe, Esq., Parry Sound, Ont., (hereinafter called "the assured") against loss or damage by Fire to the property hereinafter described (but subject to the conditions and stipulations contained in this Policy) to the amount of Three Hundred Dollars, namely : On Household Furniture, \$300.00 all owned by the Assured and contained in house on Lot No. 7, Patterson Street, Parry Sound, Ontario. And it is hereby agreed and declared between and by the said Norwich Union Fire Insurance Society, (hereinafter called "the Society" or "the Company") and the Assured (subject, nevertheless, to all the said conditions and stipulations) that if the property above described, or any part thereof, shall be destroyed or damaged by fire at any time between Twelve o'clock at noon of the Nineteenth day of March, 1891, and Twelve o'clock at Noon of the Nineteenth day of March, 1892, the Capital Stock, Funds and Property of the said Society shall, according to the Laws, Regulations and Provisions of the Society, alone be liable to pay or make good unto the Assured, his executors, administrators, or assigns, all such immediate loss or damage, to an amount not exceeding in respect of each of the several matters above specified the sum set opposite thereto, or the interest of the Assured therein, and not exceeding in the whole the sum of Three Hundred Dollars, subject to the conditions and stipulations of Assurance printed on the back of this Policy.

IN WITNESS WHEREOF, I, the undersigned General Agent, being duly authorized by the Directors of the said Society, have hereunto set my hand this Thirty-first day of March, 1891.

Countersigned, T. C. PATTESON.

Corporate Seal

ALEXANDER DIXON,

General Agent.

This Policy will not be valid unless countersigned by one of the Society's Local Board of Management for Canada.

N.B.—For all future payments upon this Policy, printed receipts, bearing the Embossed Stamp of the Society, will be given.

In the foregoing form of policy the contract only is given. Besides the contract there are always a number of conditions or stipulations printed in small type. These are of two kinds : (1) Statutory conditions being the general rules and laws made by statute law. These vary a little in various provinces and states according to the law of the province or state where the insurance is effected. We think it unnecessary to occupy three or four pages of this book with them when they are printed on every policy. (2) When the company varies any of the rules laid down in the statutory conditions of the contract these *Variations in Conditions* must be printed on the policy, but must be made specially prominent by being printed in red ink so that the assured may notice them,

## Renewal of Insurance.

Insurance Companies frequently continue a policy from year to year by simply giving a renewal receipt for the yearly premium each year when it is paid. This continues the original contract between the company and the insured with all its conditions. If the premises are changed to any great extent, or the buildings or businesses near it changed so as to increase the risk, a new policy would have to be issued. The following is a form of Renewal Receipt :—

No. 11,824.

### NORWICH UNION FIRE INSURANCE SOCIETY.

Head Offices : Norwich and London, England.  
Chief Office for Canada : Toronto.

Parry Sound Agency, Mar. 19, 1890.

Policy No. 1,275,170.

Received of William B. Rowe, Esq., the sum of Three . . .  $\frac{40}{100}$  Dollars, for the Renewal Premium on this policy, from 19th March, 1890 to 19th March, 1891.

Amount Insured, \$300.00.

R. CHRISTIE,

Premium, 3.40.

Agent.

## Extra Risks.

When a building is insured it is usually supposed to be in a finished and settled condition, and it is classed and rated according to its construction and occupation, a brick or stone building being insured much cheaper than a frame, and a dwelling being insured at a much less rate than a shop or factory. Besides this insuring of property in a completed condition, an owner often wants insurance to cover his property in either of the following conditions :

(1). While being built.

(2). While undergoing repairs of any considerable extent.

There is an *extra risk* attending such building or repair, and companies charge an extra fee for such and issue a "*Mechanic's Risk*" or "*Carpenter's Risk*" on the property.

## Assignment of Policy.

A policy may be assigned from one person to another by writing across it some such clause as the following :

For value received, I hereby assign, transfer and set over unto John Smith all my right, title and interest in the within policy.

(Signed)

HENRY BROWN.

The policy is then forwarded to the office of the company, accompanied by a fee, and the consent of the company obtained and the names changed in the books. Such assignment of policy is made :

(1). When the property is sold ;

(2). When property is mortgaged.

## Cancellation of Policies.

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If a person disposes of the property insured, or for any other reason desires to discontinue his policy, he may have the company cancel the policy and return part of the premium to him. The part of the money refunded is called the *unearned premium*, because the company has not earned it all by carrying the risk to the end of the term of contract. The amount retained by the company is called the *earned premium*. On a policy cancelled at the request of the insured, the company would charge the short term rate and refund the balance. If, however, the Insurance Company wished to cancel the policy, the company would refund a proportionate part of the premium. If the insurance had run half its time, half the premium would be returned.

## Two or More Insurances.

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Two or more insurances on the same property without consent of all the companies concerned is, *literally, no insurance, as not one cent of insurance would be paid in case of loss*. If consent of all parties is obtained, the same property might be insured in a dozen different companies, so long as the total sum of all the insurances together did not exceed the insurable value of the property. The insurable value of property is usually about two-thirds of the cash value.

## Re-insurance.

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Every company sets a limit as to the amount of risk it will carry on any one property. Suppose a company sets such a limit at \$5,000, and they are offered a risk on a building of \$12,000 : They would take the risk and immediately re-insure at least \$7,000 with other companies, so that the loss from any one particular fire would not be so large as to cripple a company, either for the time being or permanently. If it pays private individuals to employ a company to carry a risk on their property, that is, to save them from a *very large* loss that they could not stand, financially, it will pay an insurance company to hire another insurance company to share any large risk with them.

## Transfer From One Place to Another.

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If chattel property is moved from one building to another, the consent of the company must be obtained, and the property will be held insured in its new place. If the new place is more dangerous than the old place, an additional premium may have to be paid, besides a fee for the transfer.

## Negligence.

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Negligence on the part of the person insuring property, or on the part of his servants, is just what he desires to provide against ; hence, the company is called on to pay, even if there has been carelessness. If the insured wilfully sets fire to his own building, he gets no insurance, and is punishable for arson. If property is on fire, or in imminent danger from fire, the owner must do his best to save it if he knows of the fire. If he does not, his negligence would void his policy, and he would not get any insurance.



## Adjustment of Losses.

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Generally the full amount of the loss is paid on the insured property, so long as that amount does not exceed the amount of the insurance. The amount paid will only be the actual cash value at the time of destruction. Insurance companies do not count on paying *speculative damages* in ordinary fire insurance.

The profits on goods are not insured, unless specially provided for, nor is the loss or inconvenience resulting from the interruption of business by the fire made up by the insurance company. The loss of property only is dealt with. In case of loss by fire, notice should be given the company at once, and the company will send an adjuster, or agent, to inspect the loss. The value of the articles destroyed must be verified on oath, and false or fraudulent statements nullify the claim against the company. The company always reserves the right to pay the money for the loss, or have the article or building repaired, as they choose.

Some companies have an *average clause* inserted in their policies. When a policy contains an average clause, only such proportion of the loss is paid as the insurance bears to the value of the property. For example :

A insures his house, worth \$1,500, for \$1,000. If the policy contained an average clause, and the property were damaged \$600, only two-thirds of loss would be paid, as in this average clause policy the company is supposed to carry two-thirds of the risk and the owner one-third ; hence, he would only get \$400 for his \$600 loss.

This average clause is put in policies issued on warehouses, ships, &c. In mercantile risks it is made to apply to damage done to property by removal to save it from fire, and to property stolen while being removed to save it from fire.

## Who May Insure Property ?

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The question, “who may insure property ?” may be answered in short—any person having an *insurable interest* in the property. An insurable interest is either ownership or of a financial interest in the property. Property may be insured by any person who would suffer on account of its loss. There are three general cases that might be stated in this connection, viz :

(1). An owner may insure his property.

(2). An owner may insure his property in favor of any person who holds a mortgage, or lien, against the property, because the person holding such mortgage or lien has a monetary interest in the property, and would suffer a depreciation of his security in case of loss by fire.

(3). A mortgagee may insure property for his own benefit, if his mortgage so provides, because he has a valuable interest in the property.

In case (2), the policy would be made out in favor of the mortgagor by the company, with a clause written on it, “*Loss, if any, payable to the mortgagee, as his interest may appear.*” In case (3), the policy would be made out directly in favor of the mortgagee.

*The rate* of insurance is the price per \$100 or per \$1,000 charged by the company for carrying the risk. This rate is based on the danger the property is in—great danger would necessarily imply a high rate. Immunity from danger would be met by a low rate. For example, a frame planing mill would cost \$70 for \$1,000 insurance for 1 year, while a stone dwelling house isolated from other buildings would cost perhaps only \$7.00 for \$1000 for three or four years, one-tenth of the premium paying for three or four times the time.

## The Companies.

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The business of insurance is conducted on two plans—first, by Joint Stock Companies, that carry on the business of insuring for the purpose of making profit for the shareholders. They do business on the *cash plan*. You pay your money and get a definite contract of insurance in return. The second plan is called the mutual plan. There are no shareholders; every policy-holder is a member, and they are all joined together, each person giving an obligation to become good for his proportion of the losses. It is insurance on the co-operative plan, and the members have insurance at cost price, the two elements of cost being (1) losses and (2) working expenses. In the Stock Company Insurance, there are profits to be paid to shareholders, and frequently extra large working expenses and reserve funds to accumulate, making up the higher rate charged by them.

## Mutual Companies Insure on the Cash Plan.

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Not only do Mutual Insurance Companies do business on the mutual system, but they also do it on the cash system. Before a Mutual Company can do any business on the cash plan in Ontario, it is necessary for all, except those that confine their business to farm and isolated risks, to deposit with the Provincial Government of Ontario \$5,000 if insuring Mercantile and Manufacturing risks. If the company does an Inland Marine business, the deposit must be doubled. This deposit is on a basis of \$2,000,000 liability on risks. Each additional million would require an addition of one-tenth of the initial deposit. Joint Stock Companies are required to deposit about five times the amount that Mutuals deposit.

## Formation of a Joint Stock Insurance Co.

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A Joint Stock Insurance Company may be incorporated in the ordinary way, either under the Joint Stock Companies' Letters' Patent Act, of any Province or the Dominion, or by Act of either Provincial or Dominion Parliament, with which special Act of Parliament the Joint Stock Companies' General Clauses Act will be held to apply for the purposes of organization, management, &c. In Ontario, not only may a company be incorporated in the ways above mentioned at the beginning, but a Mutual Company may be *changed* from a Mutual to a Stock Company under the Joint Stock Companies' Letters' Patent Act, if they have a surplus of "*Cash*" assets over and above what would

be required to re-insure all their risks. By "*Cash*" assets we mean the ordinary assets otherwise than premium notes or undertakings. The consent required for this is a two-thirds vote of the members present at an annual meeting, three-fourths of the directors and two-thirds of subscribers to the Guarantee Capital. The members of the company have the first chance of purchase of the Stock. This preference extends for one month. See the Ontario Insurance Act of 1887 (v.50 c.53) for further information.

## Formation of a Mutual Insurance Company or Association.

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The initiative in forming a Mutual Insurance Company or Association, either on the mutual or cash plan, is taken by ten freeholders consulting together and calling a meeting by advertisement, once in the Ontario Gazette and three times (weekly) in a paper published in the county where the association is to be founded. If thirty or more freeholders attend the meeting and decide to organize, they appoint a committee of three, who will open a subscription book. When fifty or more freeholders sign their names in this book, agreeing to effect insurances in the company, aggregating not less than \$100,000, another meeting is called by ten of the subscribers by sending a notice of the general meeting to each subscriber by mail, and advertising the meeting in a local paper published conveniently to the place of meeting. At this general meeting there should be at least twenty-five subscribers. The following business shall be done :

- (1). Appointing a secretary and a board of directors.
- (2). Adopting a name, which shall include the words "Fire" and "Mutual."
- (3). Naming a place within the municipality to be known as the head office.

After this meeting the directors will elect among themselves a President, Vice-President and other officers, and file in the County Registry Office copies of the resolutions of the last mentioned meeting, giving particulars relative to officers, corporate name and head office, together with a copy of the Subscription Book. The directors will also send to the Inspector of Insurance copies of all documents filed in the Registry Office, certified to by the Registrar. If the Inspector, on examination, finds everything satisfactory, he issues a license authorizing them to proceed with business. In case of Cash Mutuals doing a general insurance business, the regular government deposit must be made before a license will be issued. For further particulars, see the Ontario Insurance Act of 1877 (v.50, c.53).

## Annual Report to Government and Inspector.

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All Insurance Companies are kept under control of the government by the Inspector of Insurance, who annually, or oftener, if he deems advisable, visits the head office of the company and examines into its affairs, personally. He also furnishes each company with a special form of report, that must be filled up annually and verified by the affidavit of the President and Secretary. This report gives full particulars of all Receipts and Expenditures of Cash for the calendar year, also all Assets and Liabilities at the end of the year. This report must be made within a month of the close of the year, in duplicate, and filed in the office of the Inspector of Insurance.

## The Book-keeping of Insurance.

The forms of books following this are suitable for a "Mutual" business. There is much more routine required for a Mutual Company than for a Joint Stock Company, as in the Stock Company the capital is fixed in shares and issued just in the same way as those of any Mercantile or Manufacturing Company. The registers of policies and expiring risks, given for the Mutual Company hereafter, are much more elaborate than would be required for the Stock Company, on account of the Premium Note, Reserve Capital, &c., and the strict account that should be kept with each policy, so that an assessment could be intelligently made, if it was found necessary to call for something more than the deposit of 25 per cent. made on the Premium note at the time the insurance was effected.

We propose to give forms of registers suitable for the work of a purely Mutual Fire Insurance Company, believing that if we do so there will not be any difficulty in adapting them to a Joint Stock Company that may be formed to carry on the business of insurance. Instead of the rather intricate entries, explained hereafter in Mutual Insurance work, for the taking in of new business and the expiring of the policies only a simple entry would be made at the time of insurance—such as, Cash, Dr., To Premium Account.

### The Premium Note or Undertaking.

The "Premium Note or Undertaking" are terms applied to the obligation entered into by the assured, by which he agrees to pay to the association, as they may require, all sums, not exceeding in the aggregate the amount of such undertaking. This premium note is the *capital basis* of the Mutual Insurance Companies. It is on the strength and security of these that the company or association that has no shareholders can give insurance.

The following is a form of undertaking :

Received on this  
undertaking in cash  
Seven 50/100 Dollars.  
R. H. McCLELLAND, Agt.

\$30.00.

Owen Sound, Mar. 17, 1892.

I, HENRY W. PETRIE, being desirous of becoming a member of the SAFETY MUTUAL FIRE INSURANCE COMPANY, for three years from the seventeenth day of March, agree to hold myself liable to pay to the said Association, at such times and in such manner as the Directors thereof may determine, such amounts as may be required from time to time not to exceed, in any case, Thirty Dollars.

H. W. PETRIE,  
Lot 10, Con. 6, Township of Derby,  
Kilsyth Post Office.

Witness : R. H. McCLELLAND.

The following is an indorsement, or agreement, that must be written or printed across the face of the undertaking in red :

*Any action which may be brought or commenced in a Division Court in respect or on account of this Note or undertaking, or any sum to be assessed thereon, may be brought and commenced against the maker hereof in the Division Court for the division wherein the head office, or any agency of the company, is situated.*



If an ordinary frame dwelling were being insured in a Mutual Company for \$1,000 for three years, the company would take a premium note, or undertaking, for three per cent. of the risk, or \$30.00. Then, on this undertaking, they would collect, say twenty-five per cent. in cash, or \$7.50, besides a fee of \$1.50 for the agent for making an examination of the premises, &c. The residue of the premium note of \$22.50 is called *Reserve Capital*, and the Journal entry of the company on receipt of this and all other undertakings and cash would be :

Cash, Dr.,	\$7.50,
Reserve Capital, Dr.,	\$22.50,
To Undertaking Account,	\$30.00.

When the policy expires and the residue of the premium note, or undertaking, is returned to the insurer, there is \$22.50 of the reserve capital parted with, and, suppose the actual cost of the insurance for fire claims and working expenses was \$6.40, and that nothing were being returned to the insurer, there would be a surplus of \$1.10, which would be carried to Reserve. The entry would be :

Undertaking, Dr.,	\$30.00,
To Reserve Capital,	\$22.50,
" Earned Premium,	6.40,
" Reserve,	1.10.

Suppose that the \$1.10 were refunded in cash, the part of the entry crediting *Reserve* would be changed to Cash.

We do not wish the reader for one moment to imagine that a Journal entry is made for each policy, as this is not the case. Each policy is entered up in a Register for the purpose (see page 232-3) and the totals, for a month, usually, are Journalized at once. The same is true of the expiring policies (see Expiry Register, page 238).

## Special Accounts in Insurance Book-Keeping.

It is proposed to give a short description of the accounts that belong only to Insurance Book-Keeping. It is not proposed to deal to any great extent with ordinary Expense Account in its various divisions, such as Rent, Fuel, Advertising, Printing, Stationery, Salary, &c. The ordinary book-keeper understands them well enough. We will touch on Special Accounts incident only to insurance work.

*Fire Claim Account.* To the Dr. side of this account are charged all sums paid on account of the losses of the members. On the Cr. side we would place any sums received from other companies for any portion of the risks that we *re-insured* with them. The difference would be the net cost for fire claims for the year.

*Agencies Account.* To this account we charge the expenses of appointing agents ; keeping them posted in their work, and the cost of inspecting their books, records, &c., periodically.

*Fire Inspection Account.* We would charge to this account all sums paid out for travelling expenses, fees in connection with the inspection and settlement of fire claims against the society.

*Undertaking Account.* We credit this account with the entire amount of the undertaking or premium note received from the member, and debit the account when the

premium note is returned to the member at the expiration or the termination of the policy. Though this account represents the obligations of members, yet the real account that does take charge of the portion of the premium note that is an asset is the Reserve Capital Account. This Undertaking Account does not represent either a resource or a liability it is simply used to complete the equal Dr. and Cr. of the Double Entry system.

*Reserve Capital Account.* In this account we place on the Dr. side the undertaking or premium note that remains as an asset if the Company after the deposit of cash has been credited on it. When a policy expires or is cancelled, and the premium note is returned to the maker, the Reserve Capital is decreased, and this account is credited, (see Journal Entries of Expiry and Cancellation Registers.) The balance of this account shows the residue of premium notes held by the association as security for the payment of fire claims, &c., in the future.

*Cancelled Refund Account.* In this account we place on the credit side all sums that it is proposed to refund to members as the *unearned* premium on their cancelled policies. When this is sent to them in cash or any other way, this account is debited. The balance of this account, if any, shows any unearned premium on cancelled policies not yet sent out to the member.

*Agents' Commission.* The name of this account implies that to it would be charged all sums paid out to Agents as Commissions, bonuses &c. for doing a large business.

*Reserve Fund.* We credit to this account all sums retained in the Association on both expired and cancelled risks over and above the amount actually required for carrying the insurance, (see explanation of Expiry and Cancellation Registers.) If an extraordinary year of losses should happen at any time, and the insurance actually cost more than the deposits, the difference could be made up by charging it against this account.

*Earned Premium Account.* Mutual Insurance Societies are run in the interest of the members, and not for the purpose of making profits or dividends, therefore the name Profit and Loss Account, or Loss and Gain Account, is not an appropriate title for the account into which the working accounts are annually closed. The proper title for such an account would be Earned Premium Account. When the annual closing time comes at December 31st, we close all the various branches of Expense and Fire Claim Account into Earned Premium Account. The entry would be, Earned Premium Account Dr. To Expense Account, Fire Claim Account, &c., &c. On the Dr. side will therefore be charged all the cost of the insurance. If any profit has been made by getting interest on Bank Account, or investments, or for any transfer fees, extra risks, &c., these will also be closed into the Earned Premium Account, and will appear on the credit side. When the policies expire, or are cancelled, the entry that writes them out of the books writes into the credit side of this account all the portion of the cash deposited that was required to cover its share of the working expenses and fire claims during all the time such policy was current. This entry appropriates the premium and places it over against all the working expenses and fire claims that were charged against the cash deposits of the policies still in force. The amount that the debit side exceeds the credit side of this account is the total amount of the cash deposits of the existing policies that have been paid out for working expenses and fire claims—the real Earned Premium of the policies now in force. The difference between the balance of this account and the total sum of

the cash deposits on policies now current, would be the *unearned* portion of the premiums paid, and this amount should always be sufficient to re-insure all the risks in another Company should the Company cease business and go into liquidation.

## The Policy Register.

This book contains a record of all the particulars regarding each policy, from the time it is received into the office until it has expired. It is especially the record of the policies as they are received into the association. The totals of this book are brought into the other books by Journal entry, generally, monthly. This book bears the same relation to the *receiving* of the policies that the Expiry Register does to the outgoing of the policies when they expire. It will not be necessary for us to explain some of the columns to any great extent, as their use can be readily understood.

COLUMN No. 1 gives the distinguishing number of the policy. This applies both to the policy and the application.

COLUMNS Nos. 2, 3 and 4 refer especially to the agent who insured the risk. Each agent is required to number his applications consecutively, and, should a batch of applications be lost in transmission by mail, the loss will be discovered immediately. It also gives an idea of the quantity of business done by each agent. The agent's name and fee needs no explanation.

COLUMN No. 5 gives the date of the policy.

COLUMNS Nos. 6, 7, 8, 9, 10 and 11 all give particulars as to the residence of the insured.

COLUMN No. 12 gives the term of the policy, that is, the time that it runs.

COLUMN No. 13 is the amount of the face of the policy; that is, the amount of the risk carried.

COLUMN No. 14 has a record of the amount of the undertaking, or premium note given by the assured to the association.

COLUMNS Nos. 15 and 16 give the sum paid in cash or note as a payment on account of the premium note, the one taking in the cash payments and the other the notes. These columns are Journalized, to bring the policies into the books. It will be noticed that the 15th column in the Policy Register and the 4th column in the Cash Book agree. Inasmuch as the cash is taken charge of in the Cash Book, we will Journalize it from there. The Reserve Capital Account will be too great by \$30.50 after the following entry has been made; it will be all right when the Cash Book entry is made.

Bills Receivable, Dr., \$ 20.50,  
Reserve Capital, Dr., 183.50,  
    To Undertaking, \$204.00.

The Cash Book entry for column 4 will be :

Cash, Dr., \$30.50,  
    To Reserve Capital, \$30.50.

If it is desired to keep a Ledger account with the amount at risk, it can be done very simply :

Policy Account, Dr., \$7,300,  
    To Risk Account, \$7,300.

Most companies only keep this record in the Policy Register by carrying it forward.

# Policy Register of the Safety Mu

*Month of March, 1892.*

Policy No.	Agents No.	Agent	Agents Rec.	Date.	Name of Insured.	Post Office.	Lot.	Con.	Township.	County.	Term.	Am't of Insurance	Am't of Undertaking	DEPOSIT.		
														Cash.	S. D. Note	When Paid
1621	46	W. Wilson	\$1 50	Mar. 5	W. H. Petrie	Paris	7	6	Walton	Brant	3	\$1,000	\$30 00	\$7 50		
1622	47	"	1 50	" 1	J. R. Boyd	Tara	9	4	Vespra	Bruce	3	800	22 00		\$5 50	7/6/92
1623	86	Jno. Brown	1 00	" 15	A. E. Jones	Warton	2	8	Keppel	Grey	3	1,400	42 00		10 50	8/5/92
1624	20	E. W. Waits	1 50	" 12	W. Duke	Clinton	7	3	Bruce	Huron	3	3,500	92 00	23 00		
1625	21	"	1 50	" 20	J. M. Adams	Alton	1	7	Mono	Dufferin	3	600	18 00		4 50	4/9/92
												\$7,300	\$204 00	\$30 50	\$20 50	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17

COLUMN No. 17 gives the date of the payment of the promissory notes given for premium.

COLUMN No. 18 gives the number of the new policy under which the property is insured the next time it is renewed.

COLUMN No. 19 repeats the policy number, to save tracing every policy from left to right across the long pages of the Register.

COLUMNS Nos. 20 and 21 contain a record of any special payments for extra risks, transfer fees, &c., and the date of such payment.

COLUMNS Nos. 22, 23 and 24 contain a record of the first year's charge against the premium—in this case it is 12 per cent, on the undertaking. It will be noticed that the rate is much higher than those that follow. This is because the working expenses of the company—the cost of management, book-keeping, &c.—are made a first charge on the premium for the first year. In this case the years that follow only are charged with the net amount of the losses by the fires of the year. The three following sets of columns are simply a repetition of those of 22, 23, 24 :

COLUMN No. 25, it will be noticed, is the fourth balance column. This is the balance of unearned premium when the policy expires. Four assessments are required for three-year policies, because they seldom begin at 1st of January, and will, therefore, run into four calendar years.

COLUMNS Nos. 26 and 27 contain a record of what is done with the surplus of premium. The policy that was cancelled had \$5.52 returned to the policy-holder. This is put in the refund premium, while the other small balances not refunded are placed in the Reserve fund. See further points regarding this in connection with the Expiry and Cancellation Registers.

COLUMN No. 28 contains space for remarks of any kind relative to the policies, &c.



## Fire Insurance Association.

Policy No.	Special pay-ments.	When Paid.	1892.		Bal-ance.	1893.		Bal-ance.	1894.		Bal-ance.	1895.		Bal-ance.	Refund Prem.	Reserve	Remarks.
			1st Assessm't Rate	Am't.		2nd Assessm't Rate	Am't.		3rd Assessm't Rate	Am't.		4th Assessm't Rate	Am't.				
1621	\$1 00	2/8/93	.12	\$3 60	\$3 90	.04	\$1 20	\$2 70	.05	\$1 50	\$1 20	.01	\$0 30	\$0 90		\$0 90	Mechanics' risk, 2m
1622	50	4/9/94	.12	2 64	2 86	.04	88	1 98	.05	1 10	88	.01	0 22	66		66	Trans. to J. Tolton
1623			.12	5 04	5 46	.04	1 68	3 78	.05	2 10	1 68	.01	0 42	1 46		1 46	
1624			.12	11 04	11 96	.04	3 68	8 28	.02	1 84	6 44				\$5 52	92	Cancelled 18-4-94.
1625			.12	2 16	2 34	.04	72	1 62	.05	90	72	.01	0 18	54		54	
19	20	21	22	23	24							25	26	27		28	

It will be noticed that the results of this book are carried to the Expiry Register, and that this book keeps an account with each policy separately, showing the cost for carrying the risk each year and the balance, if any, left over at the termination of the contract of insurance. If policies were insured on the cash system, the surplus remaining over on each policy would be the Net Gain on the policy to the company.

It might be suggested that the Expiry and Cancellation Registers might be dispensed with when this book is used. That is so if the book-keeper wished to journalize each cancellation separately and almost every expiry separately, because the order in which they are entered up in this book is not the order of their expiry. 1st, an application may not reach the head office to be entered up for a couple of weeks after its date ; another may be insured a month ahead of time or more. This is especially true of insurance on farm property. Two policies occupying adjacent lines might be two months apart in the date of their expiry even if taken for the same term. Then there may be a difference in the term of the insurance—one might be for three months and the next for three years. This book is not suitable as an Expiry Register. Into the Expiry Register are gathered from all parts of the insurance Registers all the expiring risks for say a month, and all are journalized in one entry. A list of all expiring policies in an agent's district is sent him together with the old undertakings. He will call on the member, return his old undertaking and insure his property again, taking a new application and premium note. It is not thought necessary to give any special form of Renewal List for agents here as it could be easily devised so as to give name and address of policy holders and the amount of each undertaking returned.

It is customary to keep each month separate from the others, and to make a summary at the end of the year. In this way the amount at risk is carried forward. To the balance from last year add new business and deduct the expired and cancelled business, to get the net at the end of the year.

# Safety Mutual Fire

## CASH BOOK AND BANK

DATE.	NAMES.	Policy No.	Cash on Applic'n	Cash on Note.	Inter'st.	Transfer Fee.	Agent's Fees.	Sundry Receipts	Totals-DR
	Balance for'd								8 20
Mar. 6	H. W. Petrie	1621	7 50						7 50
" 6	W. Duke	1624	23 00						23 00
" 6	J. D. Simpson	1263		8 40	.18		1 50		10 08
" 6	S. W. Hill	1461		13 60			1 50		15 10
" 6	W. Ingram	1296				0 50			5 00
			30 50	22 00	.18	0 50	3 00		64 38
Mar. 7	Balance for'd								10 38
1	2	3	4	5	6	7	8	9	10

### The Cash Book and Bank Account.

The following form of Cash Book and Bank Account will be found quite simple. It is on the same plan as the one on pages 128-9, and used upon the condition that all cash is deposited in bank and all payments made by cheque. On account of the great disparity of number of entries on the Dr and Cr. sides of the Cash Book, the entries of payments will look rather slim in comparison with number of entries of receipts ; in large companies there might be a hundred receipts to one payment. On this account many of the larger companies keep a Cash Debit Book for Cash Receipts only and Cash Credit Book for the Payments—such a division of the above Cash Book is between columns 11 and 12. COLUMNS 1 AND 2 are the ordinary date and name columns common to all Cash Books.

COLUMN 3 gives the Register number to which the Cash is to be applied.

COLUMN 4 headed Cash on Application takes charge of all premiums paid in cash with the application for insurance. It is a first payment on premium note, paid at the time of taking the Premium Note. This corresponds with No. 15 in Policy Register.

COLUMN 5 is for Cash received for Bills Receivable. Many persons have not the ready money when their risk is taken, and a promissory note is taken as a first payment on the Premium Note.

COLUMN 6 is to enter all sums received for interest into.

COLUMN 7 is for transfer fees received for (1) the transfer of a policy from one person to another in case of sale ; (2) transfer from one person to another in case of mortgaging property ; (3) transfer of property from one building to another.

COLUMN 8 is for agents' fees that are not collected at the time the application is taken but are included in the short-date note taken as the first payment of premium.

COLUMN 9 is for entries that will not go into the foregoing columns, such as Loans, Re-payment of Investments, etc.

COLUMN 10 is for the total receipts from all sources.

# Insurance Association.

ACCOUNT, MARCH, 1892.

Agent.	REMARKS.	Cash Cr. Bank Dr.	Cheques.	Bank Balance.	Cheque No.	Ledg'r folio.	Ledger Account.
	Balance for'd			2864 80			
	Deposit	55 00		2919 80			
			228 40	2691 40	68	164	Fire Claim.
T. Short.			16 34	2675 06	69	220	Expense.
D. Hilts.							
	Balance on hand.	10 38					
		65 38					
	Balance for'd			2864 80			
11	12	13	14	15	16	17	18

COLUMN 11 gives the agent's name for whom the fee was collected. The Dr. side of the Cash Book could be carried forward for a month and all journalized at once as follows, either a day or a month.

Cash Dr.	\$56.18
To Reserve Capital,	\$30.50,
" Bills Receivable,	22.00,
" Interest,	0.18,
" Transfer Fee,	0.50,
" Agents' Fees,	3.00.

The Cr. side of the Cash Book which is Bank Account as well is as follows :

COLUMN 12, a column for remarks or particulars regarding any entry.

COLUMN 13 contains the cash deposited in the Bank. This column gives the Dr. of Bank as well as the Cr. for Cash.

COLUMN 14 should contain all the cheques drawn against the association's funds in the Bank for both elements of cost in insurance, viz., Working Expenses and Fire Claims.

COLUMN 15 gives the Bank balance every transaction.

COLUMN 16 is the place for the cheque number by which a payment is made.

COLUMN 17 gives the page in the Ledger where the various cheques are posted, and

COLUMN 18 gives the Ledger title of the account to which the cheques are posted. This Cash Book is the same in style as that on pages 128-9 but differently arranged. All the payments may be posted directly from the Cash Book. It is just as well to take in the balances of Cash and Bank with the Trial Balance direct from the Cash Book

## Assessment Schedule.

This schedule is made out to ascertain each year what rate per cent. on the undertaking should be charged against each policy for earned premium for the year. There will be in each year twenty-five different rates of assessment on the various policies :

1st. One general rate on all policies that are neither new policies nor expiring during the current year.

2nd. A rate for each of the twelve months of expiring policies, based on the fire claims for that portion of the year. For example, the risks expiring in February will be assessable for the fires of January and February.

3rd. A rate for each month's issue of new policies. This will consist of a rate based on the fire claims from that month to the end of the year, and the working expenses for the year. It is customary to charge a higher rate for short term policies, because the work on the books, &c.—the cost of management—is as much for a short term policy as for a long term policy ; hence, they charge the working expenses against the new policies for the first year.

The assessments are always made on the face of the undertaking and deducted from the cash deposit in the Policy Register (see columns in it numbered 22, 23, 24 and the space intervening up to 25). The rate in the Policy Register is not the same as the one given in the example of assessment schedule, and is not given with any desire to produce the various rates in the Register.

### Safety Mutual Fire Insurance Association.

#### *ASSESSMENTS for the Year 1892 for Expiring Policies.*

	Undertaking Received.	Undertaking Expired and Cancelled.	Balance, being amount at end of Year.	Fire Loss for Month.	Total to be Ass'd For.	Monthly Rate.
Total undertaking at end of year . . . .			\$221,509 62			
January . . . . .	\$3,552 80	\$3,665 18	221,397 24	\$300 00	\$300 00	3/16 %
February . . . . .	2,276 21	4,179 15	219,494 30	208 50	508 50	1/4
March . . . . .	4,857 15	6,024 00	218,327 45	5 00	513 50	1/4
April . . . . .	4,810 58	7,918 68	215,219 35	3 00	516 50	1/4
May . . . . .	7,086 17	11,547 79	210,757 73	2,510 89	3,027 39	1 1/2
June . . . . .	9,984 90	16,372 38	204,370 25	18 00	3,045 39	1 1/2
July . . . . .	7,534 01	13,018 46	198,885 80	641 85	3,687 24	1 7/8
August . . . . .	6,997 10	11,265 46	194,617 44	454 70	4,141 94	2 1/8
September . . . . .	4,131 33	6,543 85	192,204 92	1,400 00	5,541 94	2 7/8
October . . . . .	2,852 70	4,018 15	191,039 47	250 00	5,791 94	3
November . . . . .	2,115 05	2,850 48	190,304 04	411 00	6,252 94	3 1/4
December . . . . .	1,308 73	2,469 80	189,142 97	1,350 00	7,552 94	4
	\$57,509 73					



It may be easily observed that the policy that has expired in January has only a right to be charged with the rate on losses for January, or  $\frac{3}{16}$  of one per cent., and the one that expired in December is chargeable with the entire year's fire rate, or 4% on the undertaking. Now, it is also evident that those policies that were dated in January should be chargeable with much more for fires than those dated in December, the first with 12 months' fires and the latter with only one month's fires. The total rate for the year is 4%, or one-third of one per cent. per month of an average; hence, the following will give rates sufficiently accurate for assessment purposes: Jan., 4%; Feb.,  $3\frac{2}{3}\%$ ; Mar.,  $3\frac{1}{3}\%$ ; April, 3%; May,  $2\frac{2}{3}\%$ ; June,  $2\frac{1}{3}\%$ ; July, 2%; Aug.,  $1\frac{2}{3}\%$ ; Sept.,  $1\frac{1}{3}\%$ ; Oct., 1%; Nov.,  $\frac{2}{3}\%$ ; Dec.,  $\frac{1}{3}\%$ . It is also evident that the general rate for the policies that are neither expiring nor being renewed during the current year is 4%. Now, the next is the rate for working expenses for the year. This is assessed on the new undertakings received during the year, which, in this case, amounts to \$57,506.73. The working expenses (which should not include the amount paid for fires, nor the cost of inspecting them and adjusting the loss, and the travelling expenses in connection with such settlement) are \$8,617.50, which would be 15% on the amount of undertaking; hence, the real rate chargeable against the new policies would be 15% + the fire rate for the month. For example, the total rate for June policy would be  $15 + 2\frac{1}{3}\%$ , or  $17\frac{1}{3}\%$ . The plan of charging all working expenses to the new policies is open to objection, but it is commonly adopted where salaries are regulated by the number of risks taken for the year. The above will serve as an example, and it may be modified to suit the taste of the person. *The expiring rate* is used in the Policy Register for the fourth assessment. *The various rates on new work* are used for the first assessment on each policy, to be entered up in the Register at the end of the year. *The general rate* is used for the second and third assessments.

## Safety Mutual Fire Insurance Association.

### CANCELLATION REGISTER for the Month of April, 1894.

Date.	No. of Policy.	Risk.	Under-taking.	Reserve Capital.	Deposit.	Earned Premium	Reserve.	Refund Premium	Remarks.
Apr. 4	1624	3500	92 00	69 00	23 00	16 56	0 92	5 52	Sent in Cash, 5/4/94.
1	2	3	4	5	6	7	8	9	10

## Cancellation Register.

If a policy is terminated before the expiration of its term, either by the desire of the company or by the wish of the insured it is said to be *cancelled*, and the above is the form of Register used for the record of such terminated contracts. It is very similar to the Expiry Register, except that the *unearned* portion of the deposit is refunded to the

insured with the exception of the small percentage retained in reserve. This book would be added up and journalized monthly. The description of columns numbers 1, 2, 3, 4, 5, 6, 7, of the Expiry Register exactly apply to this book ; there is no use repeating them here. The earned premium here being the amount of the fire claims and working expenses to the date of cancellation.

Columns Nos. 7 and 8 contain the unearned portion of the cash deposit divided, a small portion to reserve and the balance returned to the retiring member. The premium refunded on cancelled risks would be kept in a separate account from refunds on expiring policies if there were such being paid out. The following would be the Journal entry :

Undertaking A/c. Dr. \$92.00,	
To Reserve Capital A/c.	\$69.00,
" Earned Premium A/c.	16.56,
" Reserve Fund A/c.	0.92,
" Cancelled Refund A/c.	5.52.

Not only do we put full cancellations in this book, but we put in it all reductions in risk, undertaking, etc.

## Safety Mutual Fire Insurance Association.

*Expiry Register for the month of March, 1895.*

Date.	No. of Policy.	Risk.	Under-taking.	Reserve Capital.	Deposit.	Earned Premium	Reserve Fund.	Agent sent to.	Remarks.
Mar. 5	1621	\$1000	\$30	\$22 50	\$7 50	\$6 60	\$0 90	W. Wilson	
" 1	1622	800	22	16 50	5 50	4 84	0 66	"	
" 15	1623	1400	42	31 50	10 50	9 04	1 46	A. Weir.	
" 20	1625	600	18	13 50	4 50	3 96	0 54	J. Smith.	
			112 00	84 00	28 00	24 44	3 56		
1	2	3	4	5	6	7	8	9	10

The above Register shows a detail of all the affairs connected with each policy that has run its full term of years and lapsed, the contract of insurance being terminated by expiration of time.

COLUMN No. 1 gives the date at which the policy expires.

COLUMN No. 2 contains the number of the policy according to the Policy Register.

COLUMN No. 3. In this column is placed the amount of the insurance risk carried.

COLUMN No. 4 contains the face value of the undertaking or premium note taken from the insured at the time insurance was effected.

COLUMN No. 5 is a record of the Reserve Capital which is the balance of Premium Note not paid by the insured but held as a guarantee against losses, and now to be returned to the agent, who returns it to the insured member when he calls on him to renew his policy.

COLUMN No. 6 contains the amount of cash paid in by the members for their insurance as payment on Premium Notes, sometimes called assessments. The sum of the Deposit and Reserve Capital is equal to the Undertaking.

COLUMN No. 7 headed "Earned Premium" shows what it has actually cost for working expenses and fire claims on each policy for the three years. It is the sum of the several years' assessments according to the Register.

COLUMN No. 8 contains the balance of the deposit of cash that has not been used up in paying working expenses and losses by fire. The column is headed "Reserve Fund." It might be called surplus, and if it were the practice of the society to pay back to the policy-holder all surplus not required for carrying his risk, this column might be headed "Refund Premium," or if say half the surplus were placed in Reserve and half returned to the member, then the column could be divided into two, one half being in a surplus or Reserve Fund column and retained by the company, and the other half returned to the policy-holder or applied as a part payment on a renewal of the policy. It might be well to state in this connection that it is a mistaken policy to refund all surplus not required for carrying the risk, as in favorable years the insurance costs less than it is worth, and when two or three unfavorable years come on when the losses are large, the company is either partially crippled or else a special assessment is made on the members on account of the premium notes, the collection of which causes annoyance and expense.

COLUMN No. 9 contains the name of the agent to whom the "Renewal List" and old premium note is sent, and who is to look after the renewal of the policy.

COLUMN No. 10 is for remarks, usually used for memo. relative to the renewal.

The totals of this book are journalized each month to write out of the books the expiring policies. The following would be the Journal entries, the one where the surplus is placed in reserve fund, and the other where half of it is refunded to the policy holder.

Undertaking A/c. Dr. \$112.00,	
To Reserve Capital A/c.     \$84.00,	
" Earned Premium A/c.     24.44,	
" Reserve Fund A/c.       3.56.	

The above entry Journalizes the Expiry Register as it stands. If a Ledger Account were kept with the face of the policy the entry writing out the amount of the risk would be the reverse of what was made when it came in.

Undertaking A/c. Dr. \$112.00.	
To Reserve Capital A/c.     \$84.00,	
" Earned Premium "       24.44,	
" Reserve Fund "         1.78,	
" Refund Premium "       1.78.	

This entry would be suitable if half the surplus were refunded. The Refund Premium A/c. would be charged with the cash when it was sent out, and would close itself when all refunds had been paid out.

## The Annual Statements.

It is necessary, according to the insurance law, to close the books at the end of the Calendar year, and render a sworn statement to the Government during the month of January. The Government provides a form for this, giving all the details of its assets, liabilities and investments. There is no need to dwell on this here, as it must be filled out on the Government form.

It is necessary, however, to have a general meeting of policy holders to elect Directors to carry on the business for the next year, and to present to the shareholders at this meeting a statement of receipts and expenditures of cash for the year past, and a statement of assets and liabilities showing the present standing of the Society or Association. These

statements are necessary according to law. It will be noticed that no statement of losses and gains is required. The reason for this is that these Associations are formed to give insurance at cost price, and not for the purpose of making profits for any person. What concerns the policy-holder most is to know whether or not his money has been legitimately expended. This he finds out from the statement of receipts and expenditures of cash. It is only Trading Companies that publish statements of losses and gains. We can get along without the Loss and Gain Account in Mutual Insurance, the Earned Premium Account taking its place, and being a more appropriate title for the Ledger Account. The following are sample statements :—

### Safety Mutual Fire Insurance Association.

#### *Statement of Receipts and Expenditures of Cash for the Year 1891.*

RECEIPTS.		EXPENDITURES.	
Cash on hand and in Bank from 1890	\$1382 72	Directors' Fees, including travelling expenses	\$661 60
Received on Undertakings	19476 50	Salary and Auditing	2543 50
Extra Risks, Transfer Fees, etc.	59 16	Fire Claims	7534 37
Interest and Discount	366 43	Refunds to members on Expired and Cancelled Risks	181 65
Investments repaid	2000 00	General Agency, Inspection of Losses, Valuations, &c.	1619 64
Receipts from sundry other sources	916 52	Re-Insurance	44 10
		Agents' Bonuses, Commissions, etc.	1099 00
		Government License	147 81
		Advertising, Printing, Books and Stationery	1324 44
		Postage, Telegrams, Telephone, etc.	548 03
		Fuel, Light, Care of Office, etc.	565 70
		Taxes and Insurance	105 27
		Interest, Discount, and Exchange	92 69
		Furniture and Fixtures	133 80
		Investments on Mortgages	2522 00
		Cash on hand at Head Office,	\$235 47
		" in Bank of Hamilton	4842 26
			5077 73
	\$24201 33		\$24201 33

### Safety Mutual Fire Insurance Association.

#### *Statement of Assets and Liabilities at December 31st, 1891.*

ASSETS.		LIABILITIES.	
Investments on Mortgages on Real Estate	\$7622 00	Amounts in Suspense	\$27 24
Interest accrued not due	509 85	Sundry Accounts	13 50
Real Estate, Association's Office	4800 00	Balance Assets over Liabilities	163141 15
Bills Receivable	3162 92		
Sundry a/cs. and Suits in Division Court	770 10		
Cash on hand, Head Office	235 47		
" in Bank of Hamilton	4842 26		
Books, Blanks, and Stationery	100 00		
Office Furniture and Fixtures	611 12		
Fuel on hand	110 77		
Reserve Capital	140417 40		
	\$163181 89		\$163181 89



## Loan Companies and Building Societies.

It is the purpose of this department of this work to treat on the book-keeping of Loan Companies and Building Societies. The term Loan Company is applied to any Joint Stock Company chartered to loan money on Mortgages or Real Estate. Such companies are generally formed in the usual way, just as those were that have been already illustrated.

(1) By Special Act of either Dominion or Provincial Parliament.

(2) By incorporation under the Joint Stock Companies' Letters Patent Act of either the Dominion or Provincial Government.

In Ontario there is still another provision for incorporation, that is by registering articles of incorporation in the Office of the Clerk of the Peace of the county where the head office of the company is situate. This is intended primarily for Loan Companies of a local nature, and especially for that class of co-operative loan companies known as "Loan Societies," "Building Societies," "Building Associations," etc. This incorporation in Ontario is obtainable under the authority of Chapter 169 of the Revised Statutes of Ontario of 1886.

It will be quite unnecessary to detail the matters of organization of a loan company under the Joint Stock Companies' Letters Patent Act, as the procedure would be exactly the same as that outlined in the Creamery Company, the Stone Company, or the Steamship Company already illustrated, and further, the special books suitable for the routine of Real Estate loans will be given in connection with the "Building Society" work we are about to take up. We will not therefore illustrate a company organized specially for the purpose of making profits for shareholders and paying dividends to them yearly or half-yearly in cash.

## Building Societies and Loan Associations.

The first name above quoted might convey the idea that such institutions were formed by contractors or others for the purpose of *building houses*, etc. This is not the case, as such societies rarely if ever engage in the building trade, hence the name is at least slightly misleading, and counted by some entirely a misnomer. The title "Building Society" is the old name applied to them in the Old Country, where they were first organized. The term "Loan Society" or "Loan Association" is more appropriate.

**Definition.**—A Building or Loan Association is a society incorporated to receive small sums on deposit from shareholders as capital and invest such money among the shareholders on mortgages on real estate. Such mortgages are usually re-payable in eight to ten years, principal and interest in monthly or weekly instalments.

**Borrowing Shareholders** are those who, besides being shareholders and investing money regularly in shares, have money borrowed and are repaying it in regular stated payments. Their investments on shares being calculated at the end of the term to liquidate the principal.

**Non-borrowing Shareholders** are those persons who are investing small sums weekly or monthly and accumulating their earnings as capital of the society.

**The Co-Operative Plan.**—These societies are generally formed among persons of limited income, usually those earning wages. They are formed on the co-operative plan, all furnishing capital in small instalments, such capital being lent only to members to

enable them to buy or build houses for themselves and pay the money back in small, regular payments suited to their earning power (hence the name Building Society). The members are just paying back monthly what would be required to pay for rent or thereabouts. If they only paid rent they would be no better off at the end of ten years than they were at the beginning, but if they worked through the Building Society they would own the houses they lived in and be profited additionally by the increase in the value of the property.

*The Management.*—Each borrower and each investor is a shareholder having a vote for every share he owns. The borrowers and depositors manage the affairs of the society by their officers elected annually. In many societies every loan is placed by being put up at auction at the monthly meeting of the society.

*Shares and Instalments.*—The shares in Building Societies are usually \$200 each—sometimes they are only \$100. On a share of \$200, payments or instalments are usually made of \$1 per month, or 25 cents per week. On \$100 shares the payments or instalments are generally about 50 cents per month. If more than these rates are charged the amount so overcharged is to provide for high salaries or extravagant working expenses.

*Terminating Stock.*—When the monthly instalments above mentioned have been paid in regularly for eight to twelve years the instalments and the accumulated dividends will amount to the par value of the share. If interest rates have been high and expenses reasonable the shares will probably mature in 100 months ( $8\frac{1}{2}$  years). When such stock reaches its par value the amount can be withdrawn by the owner in a lump sum on the surrender of his certificate, thus *terminating* the stock.

*Permanent Stock.*—In a Building Society a permanent Stock Book may be opened which may be signed by such shareholders as may desire a permanent investment.\* This stock though paid up in weekly or monthly instalments cannot be withdrawn at maturity. It then becomes a *permanent* investment on which a fixed rate of dividend is payable half-yearly or yearly. Sometimes permanent stock is paid up when taken.

*Issues of Stock.*—In all societies where the stock is of the terminating character, there must be regular issues of new stock to make up for that which is terminating and going out or else at the end of a term of years the society would become extinct. To meet this it is customary to issue a batch of new shares every six months or every year. In some societies they are issued every three months. Each half-yearly batch is called a *series*. The first issue would be *Series No. 1*, the second issue *Series No. 2*, etc. The total amount of all the series together should not exceed the amount of the authorized capital.

*Withdrawal of Stock.*—It is usually provided in the by-laws that any person on giving reasonable notice (one to three months) after having paid in at least one year, may draw out his capital invested together with a proportion of the profits added to such share or shares. The by-laws of associations usually provide that such withdrawals shall receive the approval of the directors. Such withdrawals apply only to the holders of terminating stock held by non-borrowing shareholders. In case shares are withdrawn the whole of the profits accumulated on such shares are not paid out. A percentage of them are usually retained and this is a source of profit to those that remain in the society.

*Fines.*—To induce members to be prompt in their payments a fine is usually imposed on all persons who fail to put up their money when it is due at the beginning of the month. This is usually 5c. per share. This goes to swell the profits of the company. What the individual delinquent shareholder gains by keeping his money out after it was due would be lost to the society, except it were made up by fines thus imposed. This is a source of revenue to the society.

*Membership Fees.*—When a person agrees to take stock a small membership fee is charged him on each share—usually 25c. to \$1.00. In a local society this forms a part of the revenue of the society, but in those of a national character such membership fees are given wholly or partly to the agent who solicits the stock. In the Local Society the fees form part of the revenue of the Society. In the National Societies such fees seldom ever reach the coffers of the institution.

*Local versus National Societies.*—The National Societies are organized with a view to getting shareholders where the Head Office is and all over the country as well. The Local Societies confine their business to a town or city, and some adjacent territory. The Local Societies are the truly co-operative concerns. They are formed by the members for mutual benefit, both as investors and borrowers. The expenses are limited—the investments are within sight of the officers—and every thing is under the control of the shareholders, who will see that no injustice is done to any member.

The Nationals are frequently formed by speculative characters who desire to get a fat salary. They hedge the stock around with all sorts of "*pernickety*" conditions, and surround the withdrawal of shares with many disadvantages. Shareholders are pressed into them and then allowed to retire, leaving all interest and profits, as well as a portion of the principal money as a contribution to the Society. These Societies make a business of producing profits by those who are unable through unforeseen circumstances to continue the payments on stock. They trade on the element of inconstancy of the human race—a feature in such Societies that is not commendable. They seek to make profits in a way that a really co-operative society would not desire to. While the Local Society is thoroughly *Democratic* in its government, all the members co-operate in furthering the interests of the individual member as well as the Society generally. The Nationals are just the opposite. The members are widely scattered and cannot attend meetings. The management is *Autocratic*. The officers virtually elect themselves, fix their own salaries who make rules to suit themselves, and sometimes use up a large portion of the revenue in expenses of management. This is not necessarily the case but it seems to be practiced to a considerable extent. The members know little or nothing of how the business is managed. They cannot stand the expense of attending the meetings—hence they must abide by the consequences of whatever action the management sees fit to take. They are not truly co-operative, and the system of small monthly payments is entirely unsuited to a widely scattered membership, and the constant mailing of money tires the shareholder, and makes him wish to part with his shares even at a loss.

*Terminating Societies.*—Such a Society would be one that would issue only one series of stock, and when that was fully paid up it would be re-paid to the shareholders, and the Society disbanded. A Society of this kind is now very seldom formed.



*Permanent Societies* are of two kinds—(1) One that has investments that cannot be withdrawn, and in order to get money out of it a purchaser for the shares must be found and they must be transferred. (2) Terminating stock is issued in series, stock being issued every year, or half year, to new shareholders, thus keeping up a supply of “fresh blood” as the old is withdrawn. It is quite common to have both plans in vogue in the same Society.

*Permanent Stock* is produced in three ways—sometimes all three are in use in one Society—very frequently at least two are. (1) The shareholder may sign a permanent Share Book, agreeing to allow his shares to remain after they have accumulated monthly calls and profits to equal the par value of the shares. After the full value is paid up, a regular dividend is paid the shareholder in cash. (2) The share may be partly paid up and allowed to accumulate profits until it reaches par value. It then claims a regular cash dividend. When shares of \$200 each have monthly payments of \$1 per month, and it is expected to mature, then, in say nine years, a share in the same series paid cash down with the intention of accumulating profits, would be sold at about \$80. The \$80 paid down at the beginning being about equal to  $9 \times \$12 = \$108$  paid in on monthly dues. The third plan is to pay up the shares in full, and draw dividends yearly or half yearly as interest on the investment.

*Division of Profits.*—Every half year, or sometimes only every year, a general balance of the accounts is struck, the profits arrived at, a certain portion of them is set aside or apportioned to the stock, and the residue either carried to Reserve or Surplus Account, or carried at the Cr. of Profit and Loss, and the books are closed. The total book value of all the shares, (including apportioned profits,) plus the amount in Surplus or Reserve Account, should equal to the difference between the assets and liabilities of the concern.

*Loans* are made to shareholders on Mortgages on Real Estate, usually on the Sinking Fund plan, that is, re-payable in equal annual instalments, the interest part being credited to Interest Account, and the payments over and above this are made on the shares, and when the par value of the shares is reached, they are made to pay off the principal and liquidate the loan. Sometimes loans are made on promissory notes. In either case the stock is pledged, or hypothecated to the Society as security for the loan. Loans are made on one of three plans, whichever the Society chooses to adopt, viz., (1) The *Instalment Plan*; (2) The *Net Plan*; (3) The *Gross Plan*.

*Premium* is the amount offered by the borrower over and above the rate of interest set by the Society in order to get the loan.

*The Instalment Plan.*—On this plan the borrower is accommodated with the full amount of his mortgage, and he pays back principal and interest, and premium, in monthly instalments continuing over from eight to twelve years—an equal sum each month for each of the three elements of cost of the loan. Suppose a loan of \$800 were made on four shares of stock of \$200 each, at 6 per cent. interest, and 30 cents premium per share per month, the monthly payments would be \$4 on shares to meet the principal

and  $\frac{\$800 \times .06}{12} = \$4$  per share monthly for interest, and  $30 \text{ cents} \times 4 = \$1.20$  premium—

in all \$9.20 monthly payment on the loan during the entire time it has to run. If the stock matured in  $8\frac{2}{3}$  years, (100 months,) the loan would cost  $100 \times 9.20 = \$920$ —or



\$800 to repay the principal borrowed, and \$120 for interest. This is the true plan of making Building Society Loans. It is favorable to the borrower and to the Society. It will be noticed that the principal is paid at the end of the term by applying to it the shares of stock at their maturity. The four shares of stock will, when at full value by accumulated profits and monthly instalments pay the loan. They will just equal the loan.

*The Net Plan.*—If a loan of \$800 cash were to be made on the Net Plan, and the premium allowed the Society by the borrower were \$40 per share, the mortgage would be drawn for \$1000. There are five shares discounted at the rate of 20 per cent., that is, \$40 off each, leaving the loan on the share only \$160. This amount taken off is in lieu of the premium paid monthly in the Instalment Plan—the interest would be paid on the actual amount of cash lent, viz., \$800, which at 6 per cent. would be \$4 per month. The dues on the five shares taken in this case would be \$1 per month each or \$5, in all \$9 per month.

*The Gross Plan* is similar to the Net Plan, except that interest is charged on the full amount of the mortgage instead of the actual amount lent. In the example cited above, viz., \$40 share discount, a cash loan of \$800, a mortgage of \$1000—the interest would be charged at 6 per cent., or \$5. This is a dollar more than on the Net Plan. The payments on this loan, monthly, would amount to \$10, which is \$5 for interest and \$5 dues on five shares. The Gross Plan is not considered very equitable to the borrower, as he is charged interest on money he never received. It has almost entirely fallen into desuetude.

*Co-Operative Banking.*—The Building Society not only makes loans to its members on Real Estate, but on promissory notes as well, in each case taking a hypothecation of the stock as collateral security for the re-payment of the loan. The investing in shares of a Building Society is to a certain extent equal to putting a fixed amount monthly into the Savings Bank, as the stock is withdrawable in many Societies on call with a reasonable rate of interest. Most Societies after they have a paid up capital of \$40000, open a Savings Bank Department in which deposits are taken and repaid at the call of a member. This gives any person the privilege of placing money at interest with the Society without becoming a partner, or being liable to fines, &c. Building Societies also receive money at interest on Deposit Receipt on the usual conditions of 15 days notice of withdrawal. In Ontario when the paid up capital reaches \$100000, the Society may issue debentures and borrow money on them at a low rate, and lend out on a higher rate on mortgage.

*The Sources of Profit.*—A profit is any increase, gain or advantage, made by the Society otherwise than by an investment of Capital. In the Building Society the dues on shares are an investment of Capital—they are part of the 'revenue', but not a part of the profits. The following are the chief sources of profits :—

- (1) Interest on loans on mortgage or promissory note.
- (2) Premiums paid on loans, whether made on the instalment, gross or net plan.
- (3) Fines for failure of punctual payment of dues.
- (4) Transfer fees for the transfer of shares.
- (5) Membership or subscription fees paid on each share when subscribed.
- (6) Part of the apportioned profits on shares withdrawn : For example, the *book value* of shares in a certain series might be \$39.80, and the withdrawal value only \$38.50,

he difference—\$1.30—would be a gain to the association. The withdrawing member takes out his investment and interest at a certain rate per cent., and leaves a portion of the profits set aside for him for those who remain.

## The Working of a Society.

We cannot better illustrate the working of a society than to give the rules of a well managed institution, viz : The Owen Sound Building and Savings Society. Its stock is terminating, and this feature is the one we set out to specially illustrate. We advise a careful perusal of these rules before reading up the descriptions of accounts that follow, or examining the various books that are illustrated hereafter in this connection.

## Rules of the Owen Sound Building and Savings Society.

### INCORPORATION.

1. This Society shall be called the "Owen Sound Building and Savings Society," and is incorporated under and with all the powers and privileges conferred by Revised Statutes of Ontario, 2887, Chapter 169.

### OFFICES.

2. The chief office of the Society shall be at "Meir Block," in the town of Owen Sound, or such other place as the Directors may from time to time appoint.

### OBJECT.

3. The object of the Society is the raising by payments on Stock, and on Deposits, and by Loans, and accumulation of profits, a Stock or Funds for making advances of money to borrowers by mortgage on the security of real estate, on the security of shares and other approved property and otherwise as allowed by said act. To afford a safe investment for capital to purchase and hold property for the purpose and benefits of the Society and generally to exercise all the powers that can be exercised under said act.

### SCOPE OF BUSINESS.

4. Loans may be made on property and to persons and corporations in any part of the Province of Ontario.

### CAPITAL, MODE OF SUBSCRIBING.

5. The Capital Stock of this Society shall be issued in series, in shares of \$200 each share and shall be issued and payable as the Board of Directors shall direct, and shall not exceed 5000 shares at any one time. All persons on taking stock in the Society, shall either personally or by attorney duly appointed, sign the rules or the by-laws in a book to be kept for that purpose. Shares shall be both permanent and terminating.

### LIABILITIES.

6. No shareholder as such shall be liable or charged with the payment of any debt or demand due by the Society beyond the extent of his shares in the capital of the Society not then paid up.

### MANAGEMENT—APPOINTMENT OF DIRECTORS.

7. The Society shall be under the management of a Board of Directors which shall consist of nine members to be elected by ballot. Three of the Directors shall go out of office by rotation every twelve months but shall be eligible for re-election.

Vacancies occurring in the Board of Directors may be filled for the unexpired remainder of the term by the Board from among the qualified shareholders of the Society.

### QUORUM OF DIRECTORS.

8. Four or more members of the Board shall constitute a quorum of the Board of Directors, and in case of a tie the chairman shall have an extra vote.

### POWER OF DIRECTORS.

9. The Directors shall have full power in all things to administer the affairs of the Society, and may make, or cause to be made, for the Society, any description of contract which the Society may by law enter into.

### APPOINTMENT OF OFFICERS.

10. The Board of Directors at their first meeting after the annual meeting shall elect from among themselves, a President, Vice-President, and Treasurer, they shall appoint a Manager who may be one of their own number to serve for such term as they may arrange.

#### REMOVAL OF DIRECTORS.

11. Any Director of the Society may be removed by a two-third vote of the shares represented in person or by proxy at any meeting of the shareholders called for the purpose of taking action in regard to such removal. Ten days notice of such meeting shall be given such Director by notice mailed prepaid and registered addressed to the last known Post Office address of such Director.

#### MEETINGS OF DIRECTORS.

12. The Directors shall hold meetings of the Board for the transaction of the business of the Society at the office of the Society on the first Monday in each month at the hour of 8 p.m.

#### SEAL.

13. The Board of Directors shall have full power to adopt and use a common or corporate seal and if found necessary, at any time to alter or renew it.

#### DUTIES OF DIRECTORS.

14. The Directors shall do all acts that may be necessary for advancing money, and for recovering and obtaining repayment thereof, and for enforcing payment of all interest accruing therefrom, or any conditions attached to such advances, or any forfeiture consequent on the non-payment thereof, and give all necessary receipts, acquittances and discharges for the same, and do authorize and exercise all acts and powers whatsoever requisite or expedient to be done or exercised in relation to the said purposes.

#### PRESIDENT AND VICE PRESIDENT.

15. The President shall if present preside over all meetings of the Society and Board of Directors, he shall countersign all cheques directed to be drawn by the Board of Directors and perform all other duties incident to his office. In the absence of the President, the Vice-President shall perform all the duties of the President. If neither be present, the Directors shall appoint one of their number to preside at such meeting with all the powers belonging to the office.

#### MANAGER.

16. The Manager shall by himself or substitute attend all special and general meetings of the members and the meetings of the Directors. He shall receive all money payable to the Society, keep accurate minutes of the proceedings of the Society, and Directors, draw and countersign cheques and such other matters as may be required. He shall keep accurate accounts with the members, prepare and publish such statements of the affairs of the Society as the law may require or the Directors deem advisable. He shall receive for his service such sums payable monthly as the Directors may determine; at each monthly meeting he shall produce the Cash Book of the Society for examination by the President and the Board of Directors. He shall be the custodian of the securities of the Society; at the expiration of his term of office, he shall deliver all moneys, books and documents in his hands belonging to the Society to his successor.

#### TREASURER.

17. The Treasurer shall receive from and receipt to the Manager for all money paid into the Society and deposit the same to the credit of the Society in the Bank of Hamilton, Owen Sound, or such other chartered banks as the Directors may determine, and countersign cheques when signed by the President and Manager and drawn on approval by the Directors. At the expiration of his term of office all moneys, books and papers which may be in his possession belonging to the Society shall be delivered to his successor. He shall produce the Bank Book of the Society for examination by the President and Directors at each monthly meeting.

#### OFFICERS TO HOLD OVER.

18. This Society shall not cease or expire from neglect on the part of the stockholders to elect Directors at the time mentioned, and all Directors elected shall hold office until their successors are duly chosen.

#### SOLICITORS.

19. The Directors shall from time to time appoint a Solicitor. He shall examine all title papers and procure the necessary searches for property offered to the Society as security for money loaned, and certify the result in writing. He shall prepare all bonds, mortgages and other writings, and shall be entitled to receive from the borrowers such compensation as the Board of Directors may determine.

#### VALUATORS.

20. One or more valuers may, from time to time, be appointed by the Directors who shall examine and value all properties offered as security to the Society, and such valuator or valuers shall be the agent or agents of the borrower, and shall in all cases render at the Manager's office, a report, in writing, to the Directors of the value and state of such property in such form as the Directors shall prescribe, and who shall be paid such fees by the borrower as the Directors think reasonable.

#### SECURITIES OF OFFICERS.

21. Every officer or other person appointed to any office in anywise concerning the receipt of money shall furnish security to the satisfaction of the Directors for the just and faithful execution of the duties of his office. The securities may consist of the bonds of guarantee companies and the premium shall be paid by the Society.



#### ANNUAL MEETING.

22. The annual general meeting of the members shall be held in the months of May, June or July, as the Directors may see fit, to receive the annual report of the transactions of the Society for the past year, and to elect the Directors for the ensuing term of office, and to transact any other necessary business.

#### MODE OF VOTING.

23. At the annual meeting the election of Directors required shall be by ballot, and at such election each member shall be entitled to one vote for each share held by him, and voting by proxy duly appointed shall be allowed.

#### SPECIAL MEETINGS.

24. Special meetings of the stockholders shall be convened by the President, or at the written request of five members, stating the time, place and object of such meeting, provided that no business shall be transacted except that for which the meeting was called.

#### NOTICE OF MEETINGS.

25. Notice of the annual and special meetings of the stockholders shall be mailed by the Manager to each member five days prior to such meeting, and nine or more members shall constitute a quorum for a meeting of stockholders.

#### MONTHLY MEETINGS.

26. Stated monthly meetings of the members shall be held the first Monday in each month at the office of the Society, in the town of Owen Sound, for the purpose of loaning out the funds of the Society, and to attend to the financial affairs of the Society generally.

When the first Monday in the month falls on a legal holiday, the monthly meeting shall be held on the following day.

#### ADJOURNMENTS.

27. Any meeting of the members or Directors may be adjourned by a majority of those present.

#### SANCTION FOR EXPENSES.

28. All expenses before being incurred must be sanctioned by a majority of those members of the Board who may be present at any stated meeting. The security offered for a loan by any borrower shall be approved or disapproved by the Board of Directors.

#### SHAREHOLDERS' OBLIGATIONS.

29. Each shareholder shall be obligated to pay punctually his monthly dues, interest, premiums and fines (if any), and in all respects to comply with the requirements of Chapter 169 of the Revised Statutes of Ontario, 1887, and the rules and regulations of the Society. The monthly dues of all kinds shall be paid before 8 o'clock p.m. on the first Monday of each month. Each and every stockholder who shall neglect or refuse to pay his monthly dues, interest, premiums and fines, on, or before the first Monday in each month, shall pay the additional sum of five cents on each and every dollar so due, but no fines shall be charged on fines.

#### APPLICATION OF PAYMENT.

30. All payments on arrears shall be credited in payment of fines first, and the balance on other arrears. Whenever money has to be advanced for a member's insurance if it is not repaid before the second meeting following such advance a sufficient sum shall be taken from any money paid in by such member and applied to pay such insurance instead of being applied to the payment of his dues, interest and premiums, and the same rule shall be applied in case it becomes necessary to advance money for taxes, or otherwise, and whenever any fines are due, payments shall in all cases be credited in payment of fines first, and other indebtedness next. Each and every stockholder for each and every share of stock that he may hold in the Society shall pay such subscription fees as the Directors shall from time to time direct, and the sum of \$1 on or before the first Monday in each and every month thereafter until the amount of his payments on each share held by him together with the accumulated profits thereon shall be equal to the sum of \$200.

#### INSURANCE.

31. All borrowers from the Society shall furnish insurance to the satisfaction of the Directors.

#### ADVANCE PAYMENTS.

32. Any shareholder shall be entitled to pay on account of his shares in advance of calls unless such payments are prohibited by resolution of the Board of Directors. Any person paying six months (or over) dues in advance to the Society shall be entitled to receive such rate of interest per annum for all moneys so paid as the Board of Directors shall from time to time determine.

#### TRANSFERS.

33. Any shareholder with the consent of the Board of Directors may transfer his shares of stock in the Society subject to the claim of the Society thereon (if any.) Transfers shall be recorded in the books of the Society in such manner as the Board of Directors shall direct. A fee of twenty-five cents shall be paid on each share of stock transferred, and the transferee shall thereon be subject to the obligations and entitled to the privileges of the transferor.



#### FORFEITURES.

34. If any shareholder shall neglect to pay his monthly dues or fines for the period of three months his share or shares of stock may be forfeited by the Board of Directors, when the same shall revert to the Society. The money paid in as dues upon such share or shares, less fines, and his proportion of expenses and losses shall be refunded.

#### LIEN OF SOCIETY.

35. The Society shall have a preferential lien on the stock of any stockholder for any debt due the Society, and in addition to all other remedies the Society may have such stock sold, and the proceeds applied towards payment of such indebtedness or at the option of the Board of Directors the share or shares may be declared forfeited.

#### RESERVE.

36. The Directors may form a Reserve Fund, and carry a portion of the half yearly profits to reserve before division thereof from time to time as they deem advisable as a provision against losses.

#### MATURED SHARES.

37. When any share or shares have become fully paid up the holder of the share or shares may either withdraw the amount thereon from the Society, or invest the amount thereof in the Society, and the same shall become fixed and permanent capital on shares in the Society not withdrawable therefrom, but transferable in the same manner as other shares in the Society, subject however, to Rule 41.

#### DIVISION OF PROFITS.

38. The Directors shall apportion the profits not carried to reserve semi-annually between the terminating and permanent shares, and they shall also apportion the profits belonging to each of such classes among the shares thereof proportionately to the capital and accumulated profits invested in each case, but profits left by withdrawn shares shall go into the general profits fund of the society.

#### DIVIDENDS AND ADDED PROFITS.

39. Upon permanent shares the Directors shall on such apportionment pay the profits as a dividend, or pay a portion thereof, and carry the remainder to the credit of such shares as profits added thereon as they shall see fit.

#### WITHDRAWALS.

40. Holders of accumulating stock not having taken out a loan or loans may after six months withdraw from the Society, and shall be entitled to receive the whole amount which they have paid in as monthly dues with five per cent interest if the net profits, less reserve, amount to five per cent interest after deducting their pro ratio shares of expense and losses, and if the net profits, less reserve, do not amount to five per cent interest, then the net profits together, also, with such further proportion of the profits as the Directors shall from time to time declare payable to withdrawing shareholders. A stockholder on withdrawing shall surrender his share to the society. At no time shall more than one quarter of the funds in the treasury of the society be applicable for withdrawal without the consent of the Board of Directors. Of several members desiring to withdraw, preference shall be given to him whose notice shall be first received.

#### PREMIUMS.

41. Each share, whether heretofore or hereafter subscribed, shall be at a premium, which said premium shall be determined and payable at the time of the investment of the share in permanent stock and not otherwise, and shall be proportionate to the profits added on the then existing permanent shares in the Society up to the time of the last periodical declaration of profits, together with a further sum proportionate to the total reserve, less what shall have been previously contributed to reserve by the share, (if any) together, also, with interest on the total sum payable as above, from the time of said last declaration of profits at such rate as the Directors shall from time to time deem proper. On the investment of terminating shares before the period of maturity in permanent shares the full proportion of profits shall be added.

#### POWERS OF LOANING.

42. The Society may advance to members on the security of investing or in advancing shares in the Society, and may receive and take from any person or persons or bodies corporate real or personal security of any nature or kind whatsoever as collateral security for any advance made to members of the society.

43. The Society may lend money to any person or persons or body corporate at such lawful rates of interest on such terms as may be agreed upon without requiring any of the borrowers to become subscribers to the stock or members of the society, but all such borrowers from the society shall be subject to the rules of the society in force at the time of their becoming borrowers, but not to any other rules.

#### LOANS ON SHARES.

44. Stock holders taking loans from the funds of the Society on the security of their shares shall pay interest for the same every month to the Manager. If the dues, interest, fines or monthly premiums, or either which the Stockholders agree to pay at the time of purchasing money are suffered to remain unpaid, the Directors may compel payments of principal, together with all interest, fines and premiums unpaid, proceeding against the mortgage or security for the said loan according to law.

45. Each member for each and every share held in the Society shall be entitled to purchase a loan or advance of \$200, provided the necessary amount be in the treasury, at such premiums over six per cent per annum as may be agreed upon.

46. The Directors shall, at the monthly meetings, dispose of all applications for loans as may be brought before them, but they may also grant loans at such other times as they may see fit.

#### CHANGING SECURITY.

47. In case any stockholder wishes to change the security offered for a loan he may do so, at his own expense, without being compelled to repay the money to the society, provided that the Directors approve of the change.

#### REPAYMENT OF LOANS.

48. Loans may be repaid before maturity on such terms as may be agreed on at the time of making the loan or at the time of repayment.

#### SECURITIES, HOW TAKEN.

49. All securities for advances on loans shall be taken in the corporate name of the Society.

#### PROGRESSIVE LOANS.

50. In case any part of the security offered for a loan consists of land on which buildings are to be erected or improved as a condition of the loan, the money shall be advanced from time to time, as the Board of Directors shall consider safe, or on the certificate of the valutors in the discretion of the Directors.

#### FORFEITURES.

51. If any terminating shareholder shall neglect or refuse to pay his monthly dues or fines for the period of three months, his shares of stock may be forfeited by the Board of Directors, when the sums shall revert to the Society. The money paid as dues upon such shares forfeited less fines, and his proportion of expenses and losses shall be refunded.

#### EXPENSES OF LOANS.

52. All expenses incident to the completion of a loan shall be deducted from the amount purchased by the borrower.

#### POWERS OF BUYING AND SELLING.

53. The Society may sell, dispose of and assign mortgages given or made directly to it, and may purchase mortgages upon real estate debentures of any society or Company incorporated under the said Revised Statutes of Ontario, 1887, chapter 169, or any Act incorporated therewith, debentures of the Municipal Corporations or of Public School Corporations or Dominion or Provincial Stock or Securities, and may resell any such assignments or other instruments for carrying the same into effect, and may also make advances to any person or persons or body corporate upon any of the above mentioned securities at such rates of interest or discount as may be agreed on, when, and so often as the Directors may consider desirable in the interests of the Society.

#### POWER OF BORROWING.

54. The Society may from time to time borrow money either by way of deposit or by the issue of debentures or debenture stock for such term, and at such rate of interest as may from time to time be determined by the Board of Directors of the Society, and the Board of Directors of the Society shall have power, and they are hereby authorized to borrow from time to time from any corporate Bank.

#### SECURING OVERDRAFTS IN BANK.

55. The President, Treasurer and Manager are hereby authorized to borrow at any time, and from time to time, from the Bank of Hamilton or other chartered Bank, for the purposes of the Society, any sum or sums, so that the total of such indebtedness shall not exceed Ten Thousand Dollars at any one time, and the monthly receipts of all kinds shall be applied in repayment of all such advances. In case the President, Treasurer and Manager, or any of them do give any personal guarantee whether by bond, note or guarantee, for the repayment of money borrowed as aforesaid, this Society will, and does hereby agree to indemnify and save them harmless from and against all and every payment which they may be called upon to make under such bond, note, or guarantee.

#### DISCHARGE OF MORTGAGES, ETC.

56. All discharges of mortgages and all other papers necessary to be executed by the Society should be signed by the President and Manager, and the seal of the Society affixed, whenever the execution of such papers shall be authorized by the Board of Directors.

### THE BOARD OF DIRECTORS.

57. May require non-borrowing holder of terminating stock to withdraw such portions of their stock as the Board may fix for the purpose of preventing an unprofitable accumulation of money in the treasury provided said requirement shall begin with the oldest series then in existence, and with the last subscription received in the said series, and working back to that first filed with the managers and after a resolution of the Directors fixing the stock to be withdrawn, and notice to the stockholder given by letter, through the mail, to his last known address, the same shall cease to draw any interest or profit.

### FRACTIONAL SHARES.

58. Quarter, half and three-quarters fractional shares, may be issued with one or more full share or shares, for the purpose of being immediately borrowed on and proportionate monthly dues charged thereon, and borrowed shares may be reduced to such fractional shares by corresponding repayments on loans; provided that such fractional shares shall be for the purposes of loans only, and shall be withdrawn or cancelled whenever they cease to be required for the purposes of the loan in the same manner, and on the same terms as other shares are withdrawn. On such fractional shares the subscription fee shall be the same as for a whole share, and no such fractional share shall give the holder thereof the right of voting thereon.

### ORDER OF BUSINESS.

59. 1. Calling Meeting to Order.
2. Calling Roll of Officers.
3. Reading of Minutes of previous meeting or meetings.
4. Receiving the description of property offered as security for loans.
5. Disposition of the money.
6. Consideration of Securities offered.
7. Reports of Committee.
8. Communications, Bills, etc.
9. Conveyancers or Solicitors' Reports.
10. Unfinished Business.
11. New Business.
12. Statements of Receipts and Disbursements.
13. Adjournment.
14. Meeting of Board of Directors.

### AMENDMENTS.

60. These rules shall not be altered or amended except at a special meeting of stockholders called for that purpose, and in the manner prescribed by Section 10 of Chapter 169 of the Revised Statutes of Ontario.

61. The Manager's office shall be open on the first Monday in each month from 2 p.m. to 8 p.m. for the receipt of money.

## The Incorporation of a Building Society.

In Ontario a Building Society may be formed under Chap. 169 of Revised Statutes of Ontario, by twenty persons signing an agreement under seal by which they agree to constitute themselves a Building Society and sign a declaration to that effect and deposit the same in the office of the Clerk of the Peace in the county in which they reside.

These twenty persons and all others who afterwards become associated with them as members, form the body corporate and politic, having perpetual succession in shareholders, and limited in liability as to the subscription of stock. The name must be mentioned in the agreement and declaration and need not, necessarily, contain either the word "Building" or the word "Society."

The Shares shall not be more than \$400 each in par value, and payable in monthly or other periodic instalments. The instalments shall not be more than \$4.00 per month per share. The money thus collected is to be loaned to members on stock with mortgages on real estate as security.



## The Government of the Society.

A Building Society is governed even more by the will of its members and less by statute law than a Joint Stock Company incorporated under the Letters Patent Act. The legislation in Chap. 169 R.S.O. gives a certain amount of directory clauses in regard to the management and control of the Society, but nearly all is left to be regulated by the members in their by-laws. We have given the by-laws and rules of the Owen Sound Building and Savings Society. They are a very good set for any society where the stock is issued in series. They are very full and yet elastic enough to be workable.

The rules of the society should be written in a book and subscribed to by each member. If a rule is to be rescinded or amended or a new rule made, a general meeting of the shareholders must be called for that purpose, and it must be passed by a two-thirds majority of those present in person or by proxy, and must represent not less than one-half of the paid-up capital of the society.

## The Stock Book.

When a person wishes to become a member or shareholder in a building society he signs the stock book of the Society in the same way as they do in the formation of a joint stock company on page 68. They also sign the rules of the society in the rule book, agreeing to be bound by such rules and by-laws as at present existing, and any that may be afterwards passed in accordance with statute. The stock book is the foundation of the society. In it all the liability to pay up capital is created. It should be sacredly guarded against injury by fire or otherwise. The following is the form.

### OWEN SOUND BUILDING AND SAVINGS SOCIETY.

## Stock Book.

We, whose names are hereto subscribed, agree to and with each other to become stockholders in the Owen Sound Building and Savings Society, and take in the said society the number of shares set opposite our respective signatures and seals, said shares to be of the par value of \$200 each : and we severally, each for himself, his heirs, executors, administrators and assigns, and not jointly the one for the other, bind ourselves to make payment thereon and do all matters and things in relation to the same as may be required by the rules of the said society or by the Board of Directors of the said society.

DATE.	SIGNATURE.	SEAL.	RESIDENCE.	NO. OF SHARES.	AMOUNT OF SHARES.	WITNESS.
1892.						
May 1	Geo. Mason,	*	Owen Sound,	5	1,000,	G. W. Donald.
" 1	Thos. Gaynor,	*	Brandon,	3	600,	G. W. Donald.
" 4	Wm. Lavery,	*	Massie,	10	2,000,	D. Sinclair.
" 4	David Duke,	*	Warton,	6	1,200,	Thos. Short.
" 5	W. Cowie,	*	Owen Sound,	5	1,000,	Geo. Hodges.

## The Ordinary Books, Forms, etc.

The ordinary books generally known and understood we will only refer to and not describe fully.

*The Minute Book.*—The Minute Book in the Building Society is just as necessary



as the Minute Book in the Joint Stock Company, and is kept as indicated from pages 76 to 80. The greatest of care should be exercised to preserve a good record of the proceedings of both general meetings of Shareholders and of Directors' meetings.

*Stock Certificates, &c.*—Stock Certificates are issued to the shareholders in the building society as to the shareholders in a joint stock company, illustrated in the earlier pages of this work. (See page 72). There is no need to elaborate on them further here.

*The Transfer Book* has the same use as in stock companies although many shares are withdrawn instead of being transferred. (See page 75).

*The Journal* in a building society is used in the way this book is used in any ordinary business, and the rules for journalizing and the principles of double entry apply so that there is nothing special to be said regarding it here. A knowledge of the nature of the business and of the accounts that should be kept will make the work of journalizing very simple. The Cash Book is so completely arranged in columns that both receipts and payments may be summed up for a month and either posted direct from Cash Book to Ledger, or the totals journalized and then posted to the Ledger afterwards.

*The Ledger* is quite an important book in the building society. It is kept just the same as in any other business. We will give however, the titles and descriptions of some special accounts that are kept in building society work.

### Special Ledger Accounts.

*The Capital Stock Account.*—This account is kept slightly different from that illustrated in Joint Stock Company work, and the reason for this is that in a stock company the amount invested is not drawn out if a member wishes to retire. He simply finds a customer for his shares and sells to him and has the transfer recorded in the books of the company. Now while this is permissible and frequently done in building society work, yet in the majority of cases the shareholder withdraws his capital and interest thereon at a specified rate from the beginning of his investment. The withdrawal idea is very prominent in building societies, so firmly is it engrafted into the very organization of the societies that a *withdrawal value* of the shares in each series is frequently printed in the "financial report." Now while the member renders himself liable to pay up his stock according to rules yet he is let out so easily that it is not considered necessary to charge him with his stock. All payments on account of shares are simply journalized "Cash Dr. to Capital Stock. The balance then of his account will always show the net capital invested. The one objection to this withdrawal feature is the advantage taken of it by the founders of the national societies, who induce persons to go into the business with the express intention of making money out of the withdrawals, thus trading upon and profiting by the shortcomings and delinquencies of the very persons that they persuaded to join the society.

*Fines Account.*—In this account on the Cr. side will be found all sums of money paid in by shareholders on account of being behind in paying up their instalments on stock at the date appointed. They are journalized "Cash Dr. to Fines Account."

*Interest on Loans Account.*—This account needs very little explanation. The interest is credited to this account as paid in. There are usually several different interest accounts kept so as to be able to determine readily the amount of profit derived or loss incurred by such interests. For details of the interest on loans see interest register kept for that purpose.

*Premiums on Loans.*—This is really a kind of an interest account though under another name. See detail of it in the register kept for that purpose. All sums paid in as premiums will be journalized "Cash Dr. to Premiums Account."

*Other Branches of Interest Account.*—Of interest receivable there may be interest on Bills Receivable and interest on the Bank balance. Of interest payable there may be (1) Interest on shares withdrawn from the society; (2) Interest on dues paid in advance; (3) Interest on overdrafts on the bank account; (4) Interest on deposits. These are kept as in ordinary businesses and close into Loss and Gain Account as in all cases that the reader is already familiar with.

*Expense Account, Salary Account, Printing, Books and Stationery Account, Postage and Telegrams Account,* and all other branches of Expense Account are kept just as such accounts are kept in other businesses, and need no special comment here.

*Transfer Fees Account.*—This account is credited with all sums paid in for the transfer of shares from one person to another.

*Mortgage Receivable Account* is charged with all advances on account of mortgages and credited when any one is paid off. The balance of this account will always show the amount invested on mortgage, and should this not agree with the sum of all the mortgages then the difference will be on account of some amount or amounts not yet advanced on one or more mortgages, but awaiting the completion of a house perhaps before it is paid over to the mortgagee.

*Deposit Account.*—This account is credited with all sums of money deposited in the Savings Bank Department, and debited with all sums withdrawn. The balance of the account will represent the balance on deposit on account of all the depositors, and will be equal to the sum of all the balances on deposit as per Deposit Ledger.

*Deposit Receipt Account* is credited when a Deposit Receipt is issued for a deposit received, and debited when a Deposit Receipt is repaid by us and the document creating the liability returned to us. The balance of the account is equal to the sum of all outstanding Deposit Receipts. This would agree with the balance of the Deposit Receipt Register, where one is kept.

*Loss and Gain Account.*—This account occupies a place in building society accounts not any different from what it does in any other business. In a society where the shares are issued in series every six months the books are closed every half year and the profits estimated and all accounts showing either loss or gain are closed into the account as usual. The major portion of the net profits every half year are apportioned to the stock, usually a fixed rate of dividend, say 6, 7, 8, 9 or 10 per cent. per annum. This is written into an account variously named, "Share Profits Account," "Apportioned Profits Account," etc. Any balance remaining over may be carried forward at the credit of Loss and Gain Account or placed to the credit of "Reserve Account," "Surplus Account," "Contingent Account."

*Share Profits Account,* sometimes called "Apportioned Profits Account" because they are set aside for the shares from time to time and really added to them, becoming part of the capital. The entry, "Loss and Gain Account Dr. to Share Profits Account," is made every half-year for the amount of the profits set aside every six months for the shares. In stock companies they are paid out; in building societies they are accumulated.

Each half year the amount of the share profits belonging to the shares that have been withdrawn should be written out of this account and either into Loss and Gain direct, or into the account headed "Interest on Shares withdrawn," which account is afterwards closed into Loss and Gain Account for the excess of the profits over the amount paid out to the shareholders as interest. Suppose it were written back directly into Loss and Gain the entry would be "Share Profits Account Dr. to Loss and Gain Account," if into the other account, the entry would be "Share Profit Account Dr. to Interest on Shares Withdrawn Account.

In some societies a Share Profit Account is opened for every series of Stock issued and they would be numbered consecutively, to correspond with the series of shares they belong to. The entries would be the same except that the total sum credited to "Share Profits" would be divided into the several Share Profit Accounts. The chief advantage to be derived from such a division as this, is, that there will be no trouble to see by the account belonging to a series when the series as a whole has sufficient profits to mature it. There will be an agreement between the calculation kept up in the series in the dues and fines register on a share, with the Ledger Account with the profits belonging to the whole series. If the work has been properly carried out they will agree and when a series is closed, the share profits for that series will be closed.

*Reserve Account, Surplus Account or Contingent Account*, or whatever name the book-keeper may choose to give this account is one into which the overplus of profit is carried by an entry, "Loss and Gain Account Dr. to Reserve Account. It is quite similar to the Reserve Account in a stock company.

*The Closing out of a Series.* When the monthly dues paid in by the members in a series, and the profits apportioned to such a series are together equal to the par value of the entire series, the shares would be disposed of in such a way as to close up an accumulating series. If a much smaller rate of apportioned profits has been set aside for each series than the real rate of earnings of the society, then there will be a large accumulation in "Reserve" or "Surplus" or "Contingen" fund, and the maturing shares have the largest shares in such surplus as they have the greatest amount of capital per share invested, and therefore have furnished the greatest quota of profits. In such a case the outgoing series would claim the same fractional share of the reserve that their apportioned profits bears to the total apportioned profits. If the outgoing series were worth par in dues and apportioned profits the participation in reserve would increase their value and make them worth more than par. The way usually adopted is to mature the shares as soon as the Dues, Apportioned Profits, and the proportionate share of the Reserve are together equal to par value. The matured shares would be dealt with in one of three ways: (1) The borrowing shares would be applied in payment of the mortgage. The entry would be "Capital Stock and Apportioned Profits Dr. to Mortgage Receivable." (2) Those who desired to withdraw their money would be paid in cash. The entry would be "Capital Stock and Apportioned Profits Dr. to Cash." (3) Those shareholders that desired to continue the investment as permanent stock would be granted paid up stock certificates. In this case the dues register would be closed up, the Shareholders Account opened in a permanent Stock Ledger and dividends would be paid on it as in an ordinary Joint Stock Company.

# Stockholders' Register of

Series No. 1.

From May 1st 1892

Stockholders' Names	Number of			Brought forward from page 49				May 2nd		June 4th		July 6th		August 1st	
	Books	Shares	Loans	Ad- vance	Delin- quent	Dues	Fine	Dues	Fines	Dues	Fines	Dues	Fines	Dues	Fines
Smith, John	100	5	20	\$10 00		\$100 00		\$5 00		\$5 00	.25			\$5 00	.25
Warton P. O.															
Brown, James	101	10	28		\$26 25	155 00	\$1 5	35 00	\$1 25	10 00		\$10 00		5 00	
Durham P. O.															
Jones, Isaac	102	4			4 20	68 00		4 00		4 00	.20	4 00			
Chatsworth P. O.															
Cane, Wm.	103					54 00		3 00		3 00		3 00		3 00	
Meaford P. O.															
Carried Forward		22		\$10 00	\$30 45	\$377 00	\$2 00	\$17 00	\$1 25	\$22 00	.45	\$17 00		\$13 00	.25
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

## Examples of Special Books.

The following forms of special books are given hereafter, and a description of each is appended to it: (1) Dues and Fines Register; (2) Premiums and Interest Register; (3) Cash Book; (4) Loans Record Book; (5) Deposit Ledger; (6) Deposit Receipt Register; (7) Bond and Debenture Register. We also give a set of Half-yearly Statements, and an example of the mode of dividing profits or apportioning them to the shares.

## Dues and Fines Register.

The above register on a single page carries all the particulars relative to payments on account of stock for six months. Each half year the names are written, and the totals of payments up to the date carried forward. The two sources of revenue from the shareholder are monthly instalments, sometimes called Dues and Fines, for failing to make prompt payment. The instalments go to increase the invested capital, while the fines are carried into the Current Revenue Account for the year as part of the profits the same as interest—it is really interest charged the shareholder for falling behind in payments. Though the fines do not increase the proprietary interest of the man who pays them, a strict account is kept of them, so that at any time a man can look up and find how much he has paid into the society for each and every purpose.

There is another item that goes to increase the shareholder's Capital Account—those are the profits added to each share every half year. Now it will be evident that all the shares issued to any series will be equal, (if paid up,) all starting at one time, and



# Dues and Fines on Shares.

to November 1st, 1892.

Forwarded to page 51.

September 5th		October 3rd		Cr.		Total		Dr.		Amount Forward										
D	ues	Fines	Dues	Fines	Dues	Fines	D	No. Shares	Amount	Dues	Fines	Advance	Delinquent							
\$5	00		\$5	00	\$125	00	\$1	00	Nov. 1st	5	\$120	00	\$125	00	\$1	00	\$5	00		
15	00	.25	10	00	240	00	3	00	"	10	240	00	240	00	3	00				
8	00	.20	4	00	92	00	.60		"	4	97	20	92	00	.60			\$5	20	
3	00		3	00	72	00			"	3	72	00								
\$26	00	.45	\$22	00	\$529	00	\$4	60	"	22	\$529	00	\$529	00	\$4	60	\$5	00	\$5	20
17	18		19	20	21	22	23	24	25	26	27	28	29							

keeping apace the one with the other. Now it is quite unnecessary to continually add the profits of each share in every series. A much simpler method is to enter up to *one* particular share in each series the profits for the half year, and let this share constantly increase by regular monthly payments and additions of interest. We might call such a share a "Typical Share," because it is a type of all the shares in the series, and would show the value at any time of the series to which it belonged.

Columns 2, 3 and 4 refer to the pass book, and the place occupied on the above book.

Columns 5 to 20 show the monthly record of fines and premiums paid by each shareholder.

Columns 21 to 25 inclusive, exhibit the standing of each shareholder as regards the charges against him for dues and fines, and the amount paid thereon.

Columns 26 to 29 exhibit the various amounts that are carried forward to begin the record of the next six months on.

The sum of the Dues Columns for all the series of stock together, for any month, will be equal to the Dues Columns for that month in the Cash Book. The same is true of the Fines Column for any month. The sum of six monthly columns of dues in all series of stock taken together equal the amount credited to Capital Stock Account for the six months. The dues carried forward to begin next six months on, see column No. 26 in register above, for all existing series of stock when added together, should be equal to the balance of the Capital Stock Account carried forward in the Ledger, as the entire amount paid up on all existing shares carried forward in this register, and the Capital Stock Account should show the same amount taken forward as a credit balance to it. The cancelled shares are simply ruled out, and not brought forward at all for the next six months

# REGISTER

## Premiums on Loans,

SERIES I.

*From May 1st, to Nov. 1st, 1892.*

Forward to Page.....

NAME.	No. of			Brought forward		May 2	June 6	July 4	Aug. 1	Sep. 5	Oct. 3	TOTAL.		Balance forward.	
	Book	Shares	Loan	Paid in Advance	Arrears	Prem'm	Prem'm	Prem'm	Prem'm	Prem'm	Prem'm	Cr.	Dr.	Paid in Advance	Amount
Miller, Wm.	45	2	20		.40	80	40	40	40	40		2 80	3 20		.40
Thompson, Jas.	80	3	25			60	60	60	60	60	60	3 60	3 60		
Williams, Mary	94	4	32			80	80	80	40	80	80	4 40	4 80		.40
Cane, Jane	97	5	36			1 00	1 00	1 00	1 00	1 00	1 00	6 00	6 00		
					.40	\$3 20	\$2 80	\$2 80	\$2 40	\$2 80	\$2 40	\$16 80	\$17 60		.80
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

## Register of Premiums and Interest on Loans.

The foregoing Register is suitable for the plan where the premiums on the loans are payable in instalments at the same time as the interest. The left page takes account, for six months, of the premiums paid on each loan, that is, the amount paid by the borrower over and above the stipulated monthly interest; for example: in Miller's loan the interest is 6% and amounts to \$2 per month; the premium is 40c., which is one fifth the interest. The real rate of interest on this loan is  $6\% + \frac{40}{200} \times 6 = 7\frac{1}{5}\%$ .

The right hand page of the book shows the record of interest payments for the six months. The payments made to wipe out the principal are really paid on shares, and are taken charge of in the Register of Shares and Fines. When the stock reaches maturity it is used to cancel or pay off the mortgage. These pages are put opposite each other so that at one opening all the transactions on the mortgage for the current six months may be readily scrutinized by any person. The balance in arrear or paid in advance, as the case may be, is carried forward every six months, and provision is made at the beginning and end of the six months on each side of the book for such carrying forward.

It will be noticed that the forms on the right and left sides are alike, except that the word "Premium" occurs on one side and "Interest" on the other, and our description hereafter applies to both sides at once.

COLUMN No. 1 gives the name of the borrower.

COLUMN No. 2 gives the number of borrower's pass book, which is his number on the stock register.

# OF ————— and Interest on Loans.

SERIES I.

From May 1st, to Nov. 1st, 1892.

Forward to Page.....

NAMES.	No. of			Brought forward.		May 2.	June 6.	July 4.	Aug. 1.	Sep. 5.	Oct. 3.	TOTAL.		Balance forward	
	Book	Shares	Loan.	Paid in Adv'ce	In Arrears	Inter'st.	Inter'st.	Inter'st.	Inter'st.	Inter'st.	Inter'st.	Cr.	Dr.	Paid in Adv'nce	Am't.
												Inter'st.	Inter'st.		
Miller, Wm.	45	2	20		2 00	4 00	2 00	2 00	2 00	2 00		12 00	14 00		2 00
Thompson, Jas.	80	3	25			3 00	3 00	3 00	3 00	6 00	6 00	24 00	18 00	6 00	
Williams, Mary	94	4	32			4 00	4 00	4 00	2 00	4 00	4 00	22 00	24 00		2 00
Cane, Jane	97	5	36			5 00	5 00	5 00	5 00	5 00	5 00	30 00	30 00		
					2 00	\$16 00	\$14 00	\$14 00	\$12 00	\$17 00	\$15 00	\$88 00	\$86 00	\$6 00	\$4 00
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

COLUMN No. 3, the number of shares held on which the loan is granted.

COLUMN No. 4, the number of the loan according to the Loan Record Book and the Register of Premiums and Interest.

COLUMNS No. 5 and 6 bring forward any arrearages due from previous time, or any interest or premium paid in advance.

COLUMNS No. 7 to 12 inclusive, contain the monthly payments on account of premium on the left side and the interest on the right.

COLUMNS No. 13 and 14, headed "Total," are used to balance up the half year's transactions on the premium or interest, so as to be convenient to strike the balance in the following column.

COLUMN 15 and 16 contain a record of what is to be carried forward for the beginning of the next half year.

The monthly total from all of the premiums paid in this book will equal the premium column in the Cash Book for that month, and the total for the six months will equal the Cr. side of the Premiums Account in the Ledger for the six months. The total of Interest Paid in this book for six months will equal the Cr. side of the "Interest on Loans Account" for the half year, and any monthly column in this book should agree with the addition of the Interest on Loans column on the Dr. side of the Cash Book for the month,

Dr.

# CASH

Date.	Name.	Stock.					Deposits.		Miscellaneous.	Loans.							Surplus.	Deficit.	Total.	Grand Total.	Balance.	Folio.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
		Series.	Dues.	Subscriptions.	Fines.	Transfer Fees.	S'v'gs Bank.	D'p't Rec'ts.		Int'rst	Pre-mium	Insurance.	Rent.	Loans Rep'd.	No. of Loan.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
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## The Cash Book.

This is an important book in a building society. It is perhaps more of a Cash Register than a Cash Book. Many society managers keep a rough cash book, with few columns, into which the cash is entered just as received. It is afterwards transferred to the regular Cash Book that classifies it according to the Ledger accounts. There are three general classes of cash receipts, and several subdivisions of each class, besides column 10 for any miscellaneous receipts that cannot be classified under the other headings.

The first batch of columns are for cash paid into the society on account of stock. The first column, headed "Dues," is for the amounts really paid in as an investment of capital. The other three columns are for the little extras in connection with the stock, the subscription fees paid on taking stock, the fines paid for being delinquent, and the transfer fees when stock is sold.

The next class of Receipts are the amounts received on deposit, the one column (No. 8), being for the deposits on the Savings Bank plan, and the other (No. 9), when a Deposit Receipt is issued. If the society were issuing debentures another column could be added for them.

Columns Nos. 11, 12, 13, 14, 15, are for various amounts received on Loans, Interest,



# CASH.

Cr.

Date.	Cheque No.	NAME.	LOANS.			Dues Withdrawn.					Miscellan's Amount.	Deposits.		EXPENSE.				Total.	Grand total	Folio.	
			No.	Amt.	Ins.	Book	Shares	Series	Amt	Int.		Sav'gs Bank.	Dep't Rec't	Ordinary.	Extra.	Salary	Rent.				
May 2	63	W. Boyd,	27	36 00																	
" "		A. H. Finch,				24	5	3 90	4	20											
" "		W. Buck,												21 30							
" "		G. Meir,																			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	

Premium, Principal, Insurance, Rent, etc. The columns "Surplus" and "Deficit" (Nos. 17 and 18) are for any sums that may be over or short by a miscount of Cash.

The Credit side of the Cash Book has the column for miscellaneous sums that cannot be put in the regular columns, and has four kinds of payments besides. Three of these are of the payments out that correspond to the three classes on the Dr. side, viz., the Loans, the Stock and the Deposits; these really need no further description. The fourth class of payments are the Expenses (see columns 15, 16, 17, 18) of which we make four classes. 1st, ordinary, such as printing, books, stationery, fuel, light, postage, telegrams etc.; 2nd, any extraordinary expense for second valuation, legal proceedings, etc.; 3rd, salary, of secretary, treasurer, auditors, directors; 4th, rent. Other classifications of the expenses might be made, that might suit a particular society better than these.

The totals of the Cash Book may be posted directly from the Cash Book to the various Ledger accounts, or they may be journalized before posting.

The monthly totals of various columns of the Dr. side of the Cash Book will correspond in amount with the other books, viz., Dues and Fines Columns with Dues and Fines Register, Interest and Premium Columns with the Interest and Premium Register. The deposits received added to the balance from last month, and the deposits repaid on Cr. side deducted, will give the balance on deposit in Savings Bank. The same proof may be applied to the Deposit Receipt Register.

## LOANS RECORD BOOK.

Loan No. 68. Book No. 216. No. of Shares 5. Series No. 3.  
 Name *John Moffatt.* Post Office *Chatsworth.*  
 Description of Property—Lot No. 36. *West side of Wilson Street, in the town of Chatsworth, County of Grey, Ontario, on which is situate a Brick House, 30 x 36 and Kitchen 12 x 17.* Acres  $\frac{1}{4}$ . Value of Land \$300.  
 Value of Buildings \$2500. Total \$2800. Amount of Loan \$1000.  
 Rate of Interest 6%. Premium 20c. per share monthly. Insurance \$1000.  
 Premium \$8.50. Date of Expiry Sept. 20, '92. Date of Mortgage April 1, '92,  
 Term 108 months. Prior incumbrance \$800. Mortgagee's  
 Name *W. P. Telford.* Address *Owen Sound.*  
 Appraisers *N. P. Horton, J. W. Redfern.* Approved by Board, 24/3/92.

PARTICULARS OF ADVANCE.			PARTICULARS OF REPAYMENT OF LOANS.					
			DATE.	PREMIUM.		INT' REST.		Paid on Shares.
				DR.	CR.	DR.	CR.	
1892.								
Mar. 26.	Solicitor's Fees, including drawing of Mortgage, &c.....	\$5 00						
"	Abstract .....	90						
"	Sheriff's Certificate .....	1 05						
"	Treasurer's Certificate .....	50	1901.					
"	Valuation .....	2 00	Apr. 1.	\$108	\$108	\$540	\$540	\$540
"	Statutory Declaration <i>re</i> Age, &c. ....	1 00	Appor tioned profit .....					460
Mar. 29.	Registration of Mortgage .....	2 30						
"	Transfer of Insurance Policy .....	50						\$1000
April 1.	Cheque No. 67, to W. P. Telford .....	848 00						
"	" No. 68, John Moffat .....	\$138 75						
	Total Advance .....	\$1000 00						

## The Loans Record Book.

The book above exemplified contains particulars relative to each loan made on mortgage as to name of person, description of property, term, valuation, &c. The major part of these details should be entered up from the application of the person and the appraiser's report thereon. It also contains particulars of the various payments on account of the loan at the time the advance was made. The solicitor usually pays all costs incurred and a cheque is given him to cover all fees and costs in the matter. From this a statement is rendered to the borrower showing how his loan was paid out to him and on his account.

Under particulars of repayment we find premium and interest brought from the Premium and Interest Register, the Dr. of each showing the amount charged, and the Cr. the amount paid, showing, in this case, all paid up. The \$1000 of loan is met by the stock which has matured being made up by monthly payments of \$1.00 on each of the five shares for 108 months (9 years) \$540.00, and the accumulated profits of \$460.00 for the nine years, in all \$1000.00, paying off the loan.

## Investment of Money with Loan and Savings Societies.

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Besides the investment of money in the terminating or withdrawable shares there are three other methods of placing money with these institutions, viz. :

- (1) On Savings Bank plan in which the depositor receives a pass book in which deposits and withdrawals are entered.
- (2) On Deposit Receipt. In this case the society issues a receipt and a promise to pay back with interest.
- (3) On the society's debentures or bonds.

We wish to devote a few words to each of the foregoing methods and to illustrate the form of book adapted for each.

### Savings Bank.

---

It was noted above that when money is deposited on the savings bank plan that the depositor had a pass-book to show for his deposit. The savings bank is intended for accumulations. It is expected on opening an account of this kind that the amount will be periodically increased until sufficient is accumulated to make a permanent investment. This may be regarded as a sort of temporary investment. It may be withdrawn usually without notice and for this reason most institutions limit the amount so deposited so that the institution could not be crippled if a "run" were made on it by depositors. The deposit is withdrawable either entirely or partially and interest is added yearly or half-yearly according to agreement.

*The Interest* is computed in one of two ways usually. The one method being to allow interest on all sums for the entire time they are deposited and credit it up to all of the accounts at a regular stated date, either yearly or half-yearly. The second method is that followed by the Dominion Government in the Post Office Savings Bank branch, viz., to allow interest on the *lowest monthly balances*, and credit the interest up every 30th of June, or such other time as the directors may determine. In this case the depositor will note that if he deposits on the first day of a month there was a time on the morning of that day when that deposit was not there and if it was his first deposit his interest would be nothing for that month, as his lowest balance was nothing. If however, the deposit had been made the night before, to wit, the last day of the former month, the interest would be allowed for the whole month, unless it were withdrawn. The interest is found by adding all the monthly balances together, dividing by 12 to bring to yearly balance and multiplying by the rate per cent. expressed decimally.

The following form of Deposit Ledger will need little or no explanation, it is sufficient to say that the balance is struck in the balance column every transaction that is entered.

# Deposit Ledger.

NAME, J. W. Redfern.			P. O., Owen Sound.			Rate, 4%.	
Date.	PARTICULARS.	Initials	Dr.	Cr.	Balance.	INTEREST.	
			Withdrawal.	Deposit.		Days.	Amount.
1892.							
Jan. 15	Deposit,	G. M.		150.00	150.00		
May 20	"	G. M.		90.00	240.00		
June 8	Withdrawal,	G. M.	20.00		220.00		

The Deposit Account in the General Ledger will represent the sum of all the balances in this Ledger in amount. See description of account, page 254.

## Deposit Receipts.

When an investment is of a semi permanent character ; when a considerable amount has been gathered together, and it is not expected to be required for some months, it is usually invested on Deposit Receipt. As the document carries its own terms on its face, we cannot do better than to give an ordinary form of one right here. It is frequently called a Certificate of Deposit.

### FORM OF DEPOSIT RECEIPT.

DEPOSIT RECEIPT.	\$200.	No. 1.
	THE HOMESTEAD BUILDING AND SAVINGS SOCIETY.	
	Incorporated 1889. Authorized Capital \$1,000,000, in 5,000 Shares of \$200 each.	
	KINGSTON, Jan. 15, 1891.	
	<p>RECEIVED from W. J. Budd, Esq., the sum of Two Hundred Dollars . . . . .</p> <p>.....<sup>00</sup>/<sub>100</sub> Dollars, which sum will be accounted for by the Society to the said W. J. Budd or his order, after fifteen days notice, upon the surrender of this Certificate only, and will bear interest from the 15th day of Jan., 1891, until within fifteen days of time of withdrawal, at the rate of five per cent. per annum. No interest will be paid on this deposit unless it remains three months.</p>	
	<p>GEORGE MEIR,</p> <p>Mgr. Homestead Building and Savings Society.</p>	

If any part of this money is wanted, say \$40, the Deposit Receipt would be surrendered and a new one issued for the balance. It is customary to pay these Deposit Receipts



without notice, simply deducting fifteen days from the time in computing the interest. The society reserves the right of fifteen days' notice so as to have time to provide funds in case of a "run" on the institution. The following is a form of Register kept of the Deposit Receipts. The headings give sufficient explanation. It gives a record not only of the issue of the Receipt, but of its redemption as well. The account kept with these documents in the general Lcdger would show by its balance the amount of Receipts outstanding. It is equivalent to a Bill Payable account. (See page 254).

## Register of Deposit Receipts.

Date.	No	Name.	Occupation.	Post Office.	Rate of Int.	Amt.	Mgr's Initials	Date of Payment.	Days Int.	Amt of Int.	Total Amt. Paid.	Remarks.
1892												
Jan. 15	1	W. J. Budd,	Chemist,	Hepw'rth	.04	200	G. M.	Aug 21 '92	219	4.80	204.80	
" 20	2	Jno. Frost,	Barrister,	O. Sound,	.05	3000	G. M.					
" 21	3	S. J. Lane,	Co. Judge	Kilsyth,	.05	1500	G. M.					
" 22	4	J. C. Ryan,	Merchant	Leith,	.04	150	G. M.					

## Bonds and Debentures.

When it is desirable to invest money for a term of years and yet have the documents held as security in such a form that they may readily be converted into cash, if required, and especially when it is desirable to have a regular yearly or half yearly income payable on a specified rate, and without delay or trouble of collection, an investment is made in bonds or debentures. A bond is a written promise to pay a certain sum of money at the expiration of a certain term of years with the interest thereon, generally payable half-yearly. These bonds are of two kinds.

*Coupon Bonds.* Usually payable to bearer, and to which are attached several promises to pay yearly or half yearly interest. If the debenture ran for ten years with interest payable half-yearly, then there would be twenty coupons attached.

*Registered Bonds* are generally payable to some specified person or his order. There are no coupons attached. The owners' name is *registered* in the Company's Office, he goes personally and collects his interest. The following is a form suitable for recording this class of bills payable.

## Register of Bonds or Debentures.

Date of Issue.	No	PAYEE.	Term.	INTEREST COUPONS.			MATURITY.		Am't	m'grs Initi'l
				Rate.	When due	Where Pay.	Month	Year		
1892.										
Jan. 20	1	W. Brown	10 years	5 % half-yearly	June 30 Dec. 31	Molsons b'k	J'ne 30	1902	\$600	J. M.
" 24	2	J. Wright	5 years	5 % half-yearly	June 30 Dec. 31	"	J'ne 30	1897	200	J. M.
" 27	3	Bearer	5 years	5 % half-yearly	June 30 Dec. 31	"	J'ne 30	1897	1000	J. M.

## Financial Statements.

A consideration of book-keeping as applied to the business of Building and Savings Societies would be incomplete without a reference to the financial statements. Such statements are issued annually if only one series of shares is issued per year and semi annually if two series are issued. The following are the statements of the Owen Sound Building and Savings Society. Three of them will be readily understood, viz. those of Receipts and Payments, Profits and Losses, and Resources and Liabilities. The fourth one, the Share Statement is peculiar to building societies issuing terminating shares in series. It gives a summary of the affairs of each series of stock from the beginning. The addition of profits for the last six months and the present value of the shares in each series. Although this statement requires considerable labor in its preparation, it will readily be understood by the reader.

## Receipts and Payments.

RECEIPTS.		PAYMENTS.	
Dues on Shares	\$5850 37	Bank of Hamilton May 1st	\$7442 64
Subscription Fees on Shares	64 50	Advanced on First Mortgages	8229 40
Transfer Fees	7 50	Loans on Stock (Bills Receivable)	1558 00
Interest on Loans and Fines	1178 60	Deposits Withdrawn	2265 00
Premiums on Loans	644 35	Dues on Shares Withdrawn	818 65
Interest on Bills Receivable (Stock Loans)	46 02	Interest on Dues withdrawn	28 77
Bills Receivable	420 00	Interest on Deposits withdrawn	53 27
Deposits	2765 00	Interest on advanced Loans	88 70
Loans Repaid	977 20	Auditors	10 00
Valuation Fees	22 00	Interest Bank of Hamilton	267 82
Advances from Bank of Hamilton	8873 31	Printing, Stationery, and Books	64 60
		Valuators	22 00
	\$20848 85		\$20848 85

## Assets and Liabilities.

ASSETS.		LIABILITIES.	
Loans on Mortgages .....	\$40350 00	Due on Incomplete Loans ..	\$235 85
Bills Rec. (Stock Loans)...	2113 00	Depositors .....	7100 00
Books (\$148 cost) .....	75 00	Interest accrued on Deposit .....	229 40
Interest accrued on Dues ..	20 60	Dues in advance .....	3490 44
Interest accrued on Loans ..	54 25	Interest accrued on Dues in advance..	84 75
Premiums accrued on Loans .....	32 55	Surplus at credit of Profit and Loss...	1216 00
Interest accrued on Bills Rec. ....	3 55	Interest Unearned on Bills Rec. ....	5 55
		Interest in advance on Loans .....	49 00
		Premiums in advance on Loans .....	24 50
		Profits apportioned on Dues .....	1760 00
		Dues on Shares .....	19310 15
		Expense account .....	275 00
		Bank of Hamilton for advances .....	8873 31
	42648 95		42648 95

## Profit and Loss Account.

LOSSES.		PROFITS.	
To Auditors .....	\$10 00	By Balance of Profits last statement....	\$582 53
" Interest paid Bank of Hamilton for advances .....	267 82	" Profits on Shares withdrawn .....	51 42
" Withdrawing Profits on Shares .....	28 77	" Interest on Loans and Fines .....	1241 80
" Interest and Deposits repaid and accrued.....	190 77	" Premiums on Loans.....	673 30
" Interest on advanced Dues .....	84 75	" Interest on Bills Rec .....	73 86
" Profits apportioned on Shares this 6 months .....	552 20	" Transfer Fees.....	7 50
" Expense acct., printing, stationery, advertising and books .....	349 60	" Subscription Fees.....	64 50
" Balance forward (surplus profits not divided) .....	1216 00		
	2694 91		2694 91

### *Fifth Semi-Annual Statement of the Standing of the Terminating Stock in the Owen Sound Building and Savings Society, at Nov. 1, 1891.*

No. of Series.	Date of their Issues.	No. Shares Issued.	No. of Shares Withdrawn.	Amount Withdrawn on Shares.	Amount Borrowed on each Series.	Number Borrowed upon.	Number of Free Shares.	Number now in force.	Total Amount of Dues.	Total Amount of Dues in advance.	Total Apportioned Profits.	Fifth Half Yrs' Apportioned Profits.	Value of Shares with Apportioned Profits.	Profits for Shares last 6 Months.
1	May, '89	409	75	1683 00	7300 00	36½	298½	335	11973 48	1943 43	1175 19	302 51	33 508	903
2	Nov. '89	160	34	368 00	5900 00	29½	96½	126	3789 40	799 40	271 56	86 81	26 15525	689
3	May, '90	209½	24	533 65	12750 00	63¾	121¾	185¾	3583 80	464 05	203 82	89 85	19 14375	485
4	Nov. '90	213	5	55 00	8000 00	40	168	208	2667 76	248 56	96 72	60 32	12 465	29
5	May, '91	124	3	3 00	6400 00	32	89	121	786 15	35 00	12 71	12 71	6 105	105
	Totals	1115½	140	2642 65	40350 00	201¾	773¾	975¼	22800 59	3490 44	1760 00	552 20	....	....

Number of Loans in force on First Mortgages with insurances, 66 ; Highest amount of single loan, \$2,000 ; Lowest amount of single loan, \$150 ; Average amount of loans, \$611.37.

## Division or Apportionment of Profits.

The Share Statement gives the standing of the shares in each series every half year. It will be proper to explain the method of apportioning the profits to the shares. At the end of the previous half year there were four series of stock having a share value as follows: 1st series, \$26.605; 2nd series, \$19.46625; 3rd series, \$12.65875 4th series, \$6.175. The fifth series has since been issued and \$1 per month paid in on each share in each series. There is invested for each share: 1st, the amount of its value brought down from last statement for six months; 2nd, \$1 for six months, \$1 for five months, \$1 for four months, \$1 for three months, \$1 for two months, and \$1 for one month. It is proposed to apportion 6 per cent. profits per annum to the shares. The following is the method of finding the average investment for a share in each series:

	1st Series	2nd Series.	3rds'r's	4ths'r's	5th Series.
Value to begin 6 months	26.605x6 = 159.630	19.46525x6 = 116.79750	....	....	0x6 = 0.
1st months dues	1X6 = 6.000	1X6 = 6.000	....	....	1X6 = 6.
2nd " "	1X5 = 5.000	1X5 = 5.000	....	....	1X5 = 6.
3rd " "	1X4 = 4.000	1X4 = 4.000	....	....	1X4 = 4.
4th " "	1X3 = 3.000	1X3 = 3.000	....	....	1X3 = 3.
5th " "	1X2 = 2.000	1X2 = 2.000	....	....	1X2 = 2.
6th " "	1X1 = 1.000	1X1 = 1.000	....	....	1X1 = 1.
Dollars for 1 month	180.630	137.79750	....	....	21.
Profits apportion'd at 6% per annum	.903	.689	....	....	.105
1st series	335 shares @ .903 =	302.51	(The figures of series 3 and 4 are left out. Those given are sufficient for illustration).		
2nd "	126 shares @ .689 =	86.81			
3rd "	185¼ shares @ .485 =	89.85			
4th "	208 shares @ .29 =	60.32			
5th "	121 shares @ .105 =	12.71			
Total profits apportioned @ Nov. 1891	552.20				

## Co-operative Associations.

These Associations have become very popular in Great Britain of late years, especially in manufacturing centres. They are usually formed among workmen for the purpose of procuring goods at or near cost. We have been illustrating Co-operative Loaning, Saving and Banking in the Building Society. The capital is furnished by the members in small payments and the members themselves are the customers (borrowers). In the old land we find co-operative grocery stores, tailor shops, dry goods shops, drug stores, dairies, butcher shops, boot and shoe stores, etc. The working men furnish the capital and become the customers as well. The goods are furnished to members at a slight advance on cost, but to others at or a little below regular retail price. They profit by trade with those outside the company to a considerable extent but very little on their own members' trade. In England and Scotland these societies are very popular among the working men and



there are to-day immense accumulations of surplus capital in such societies that is being invested in the Bonds of towns and cities of Canada and in the bonds of the Loan Companies.

*Cash System ; No Credit.*—The Co-Operative Societies are established on the pay-as-you-go system. They are not allowed by law to (1) buy goods on credit, or (2) to sell goods on credit, and should any shareholder or officer allow such sale on credit he would be personally liable in case of loss. The only credits they are allowed to take are (1) The rent and wages to employees accruing ; (2) To mortgage their real estate.

*Payment of Capital.*—The shareholders may provide for the stock being paid up in monthly calls as in the case of the building society, or in calls of not more than twenty per cent. at one time.

*Incorporation.*—In Ontario, Co-Operative Societies are incorporated under Chap. No. 166 Revised Statutes. They may engage in any business or trade except the working of mines and quarries and the business of banking and insurance.

Seven or more persons sign a certificate, in duplicate, and acknowledge it before a Notary Public or Justice of the Peace, and have it certified to by the Notary or Justice. These and the by-laws or rules of government, also in duplicate, must be recorded in the Registry Office for the county where the head office is situated. The Registrar will certify to the duplicate copy and return it to the incorporators. When the certificate is filed the Society is incorporated. It has perpetual succession and limited liability as two prominent features. The word "limited" must be made a part of the name. A sign must be put up at the head office, and should the society desire to extend business into another county a copy of the certificate of incorporation, and the rules, must be registered in every county Registry Office where an office is to be opened.

*The Management.*—The business is managed by Directors or Trustees who are elected annually by ballot, according to the rules. Unlike Joint Stock Companies each member has only one vote no matter how many shares he may have. No shareholders are allowed to have more than \$1000 stock. Officers entrusted with funds or valuables are required to give bonds for the safe keeping and proper delivery of whatever is entrusted to them.

*By-Laws and Rules* governing the society, must be made at a meeting called for that purpose. A copy must be registered. These rules will prescribe :

- (1) Mode of convening general and special meetings of shareholders ;
- (2) Provisions for an audit of accounts ;
- (3) Mode of withdrawal from the society ;
- (4) The mode of application of profits ;
- (5) Appointment of officers and managers.

The rules may be changed at any general meeting of shareholders called for that purpose, but changes will not be effective until a copy is recorded in the Registry Office duly attested to by the affidavit of either the President or one of the chief officers.

*Withdrawal of Capital*—It is quite common for these co-operative societies to have their capital paid up in regular instalments and withdrawable almost at the call of the shareholder, sometimes accumulating, terminating stock is issued similar to the building society, making it a sort of savings bank as well as a co-operative store. In the majority of cases however the capital is like the Joint Stock Company not withdrawable but simply transferable.

*Government Report.*—The managers, directors or trustees shall send to the Provincial Secretary a financial statement showing the condition of the affairs of the company once a year.

*The Books,* illustrated in connection with Joint Stock Company's work will suit for the Co-Operative Societies. It is therefore needless to repeat them here.

## Books Suitable for Manufacturing and Jobbing Work.

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It is only necessary to examine tenders for work of various kinds—building, painting, carpenter work, steam fitting, repairing broken articles or machinery, job printing, &c., to enable any ordinary mind to come to the conclusion that three-quarters of those who prepare estimates and submit tenders, really have no intelligent knowledge of the cost of the work in their own trade or business, and this is due to a general lack of *system* of keeping a record of labor and material used in any particular work, and of contingencies that crop up in such work—in fact there is a general absence of *record*, say nothing of *system*.

It is of considerable importance to a great many manufacturing concerns, both large and small, and to the large class of shops, offices and businesses that do both new work and repairs to order, to keep track of time, material, etc., consumed on each small job or contract, and be able to figure out the cost of such work accurately. It is frequently useful to be able to refer to the name of the employee who did some part of the job. either because it was well done, or because it has been carelessly or improperly done. Among businesses that require such records we might mention waggon and carriage shops, furniture factories, blacksmith shops, machine shops, printing offices, &c.. We will take a printing office as our illustration. The forms used can be adapted to any jobbing business very easily. We do not deem it necessary to give a full list of transactions for a month or year's business. It is no part of the author's desire to illustrate the closing of books, the division of profits, or the organization of the business, but simply to suggest conveniences for use in the business, be it Single Proprietorship, Partnership, or Incorporated Company. The ordinary Journal, Ledger, Bill Book, etc., are supposed to be understood, also the use of the Time Books, Pay Sheet, etc., that are used where men are employed. For explanation of the Time Book and Pay Sheet see pages 130-3. These would be used in the paying of the workmen if the business were large enough to necessitate them, and left out if the number of employees were not large enough to require the introduction of such conveniences.

In the printing office business a Journal would be kept in which to enter all purchases of stock for use in the office, machinery, tools, type for use in the office, the giving of notes, &c., settlements by contra account, and all other business that would not belong to the "Work Register" or Cash Book. Then the Cash Book would be kept for all receipts and payments of cash—always use it as a principal book, and post directly from it to the Ledger—there is no necessity for putting an entry in the Cash Book, and Journal as well. There is less danger of mistakes if posting is done directly from the book of original entry.

The entries are generally made by the workmen themselves at the time it is done, but may be made in the office from the workmen's Time Sheet illustrated in this connection on page 274. It will be noticed that every separate kind of work has a place in the form, and every person can enter opposite his name or number just the class of work he does, whether type setting, or folding, or press work. This Docket can be applied to any other kind of business or trade by simply changing the headings of the columns to suit the kinds of work done in the business.

### Form of Printing Office Docket.

No. 1.

December 1, 1891.

## 2000 Rules and Regulations

*Size* F.c'p 8vo.

*Particulars* Mechanics Building and Savings Society's Annual Report,  
24pp, with cover.

*Date required* December 7

*Proof "Yes" "No"*

*Stock* Toned D.D., 40lb.

*Ink* Blue. Black.

*Name and Address* A. C. Bailey, Sec.

[illegible]

## Work Register of the Northern Business

When Rec.	Job No.	L. folio	NAME.	ADDRESS.	No.	Size.	PAPER.	Price.	When delivered	Prime cost
Dec. 1, '91	1	36	Mechanics' Building & Savings Soc.	Owen Sound,	2000	f. cap. 800, 24pp. with cover, 16ths,	Toned D D 40	18 00	Dec. 6	cb.dd
" 3	2	92	W. Bisley & Sons, Dry Goods,	Allenford,	1000		No. 3 print	2 00	Dec. 3	c.ue
" 3	3	47	Bailey Bros., Millers,	Bailey Falls,	500		Osgoode Linen,	2 25	Dec. 4	c.ed
" 3	4	47	" "	"	500	Narrow $\frac{1}{4}$ sheet,		2 00	"	c.md
" 3	5	47	" "	"	250	3 x 4 $\frac{1}{4}$	Bristol 3 p.	1 50	"	c.dd
" 4	6	68	Wm. Berwick, Auctioneer,	Tara,	75	$\frac{1}{2}$ sheet,	No. 3 D D	2 00	Dec. 5	c.cd

## The Work Register.

This book is so simple that the book-keeper will readily see its usefulness. It is a Sales-book for this business. It is to be used to post from just as a Sales book is. It gives such full particulars that the cost can be readily figured. If any mistake has been made or work poorly done, the person responsible for such error or carelessness can be located at once, if it were a month or a year ago. It would be very little trouble to adapt this style of Register to any business where work is being done for the public generally, and especially such work as that done in waggon shops, blacksmith shops, foundries, repair shops, etc. It can be used with advantage even in manufacturing generally.

We do not consider it necessary to present a full set of transactions with these simple yet useful books and papers. We simply suggest that each piece of work be posted directly to Dr. side of the customer's account in the Ledger and the sum of every page or week or month posted to Merchandise A/c. or whatever account you keep in its place, thus the double entry will be complete. Cash Receipts and Payments would be treated in the Cash Book and all other transactions put in the Journal and posted in the usual way.

In ordering the ruling of a book of this kind, let the jobs be separated by distinct red lines about  $\frac{2}{3}$  to  $\frac{3}{4}$  of an inch apart and between the red lines two or three light blue lines for writing particulars on. These cannot be very well illustrated in the printing. A



## College Steam Printing Office.

PARTICULARS.	TIME.										REMARKS.
	Comp	Cor.	Mak'g ready	P. Wk	Stitching.	Counting.	Trimming.	Flg or Strtn'g	Bind'g	Cost of Time.	
Rules and Regulations	8½ a 6 b 13½ c	½ a ¼ b ¾ c	½ a ½ b ¾ d	3½ b 10 d 5 c	3½ f	¾ d	2¾ a	13 f	¼ a 1 f	11 60	
Dodgers advertising winter sale,	2¼ a	¼ c	¼ d	1¼ c						60	Sent by stage.
Letter Heads in pads,	1¾ a	¼ a	½ c	½ d		¼ f				75	Sent 3 jobs by Dom. Express.
Bill Heads in pads,	2 b	¼ b	½ b	½ d		¼ f				65	
Business Cards,	1½ a		½ c	¼ d						67	
Posters advertising sale of Furniture at Wiggins'.	3 b ½ a	½ b	¾ c	1 b 1 c						80	Mailed.

space should be kept at the foot for addition. In planning such a book as this get first-class paper, as it will last a long time. It is well to put an even or convenient number of jobs to the page, say twenty, it is useful in making count of business.

In laying out a book of this kind large post paper is a very suitable size, that is, 17 × 22 inches, giving a page 11 × 17 inches. If 20 jobs are on two pages (an opening of the book) a book of 500 leaves would hold 10,000 jobs, and this we suggest would last most offices a considerable time.

Under the general heading, "Time" are ten sub-divisions for the various kind of work usually done jobs, one being for cost of time. In these columns the numbers are for the time, in hours, consumed on the job. The letter attached to each denotes the person who did the work, so that the cost of the time may be accurately figured up when a job is finished. For example: the time of the foreman "A" is much more valuable than that of apprentice "D." It will be noted that there are two columns giving price, one the selling or contract price the other the prime cost, which includes the time, paper, ink, and 10% added for general supervision and fuel. The prime cost is kept in cypher based on the word "Cumberland" in this case. It might be as well to keep the cost of time in cypher as well.

NORTHERN BUSINESS COLLEGE STEAM PRINTING OFFICE.

# Time Sheet.

*For the week ending December 10, 1891.*

NOTE The person using this Time Sheet will please make a note in the remarks column when work is completed. If any work is not completed on Saturday night, please make a note of the stage of advancement opposite it in the remarks column.

Name *A. Smith.*

Number

Number of Job.	Description of Work.	Mon.	Tues.	Wed.	Thur.	Fri.	Sat.	Total Time	Remarks
1	Mec. Bl'd'g & Sav. Soc. Rules	6 $\frac{1}{4}$	3 $\frac{1}{4}$	1	3			13 $\frac{1}{4}$	Completed.
7	Ball's Letter Heads			2 $\frac{1}{4}$				2 $\frac{1}{4}$	"
8	" Business Cards, (2 col'rs)				3 $\frac{3}{4}$			3 $\frac{3}{4}$	"
12	Acton's Auction Bills			2 $\frac{3}{4}$	1 $\frac{1}{4}$			4	"
14	Weston's Bill Heads	2 $\frac{1}{2}$						2 $\frac{1}{2}$	"
15	" Envelopes	1 $\frac{1}{4}$						1 $\frac{1}{4}$	"
16	West'rn Clothing Mart, Dodger		3 $\frac{3}{4}$					3 $\frac{3}{4}$	"
17	" " Window Cards		3					3	"
20	Royal T'mpl'rs' Conc'rt Post'rs			4	2			6	"
22	Acton's Sale Catalogue					10	1	11	Ready for Press
26	" " Dodgers						5	5	Completed.

## The Time Sheet.

This is a daily record of the work done by each workman, and kept by himself. A pad of them is fastened to a small board and kept by him at his "case," or at his bench, or wherever he works. When he quits one job and begins another, he simply puts down the time consumed that day on that special work. The value of such a record as this is obvious. It is the daily record of one man's time. The Docket is the "Time Ticket" of a particular job or portion of work. A workman needs his daily record of time on the Time Sheet to enable him to enter up the total time consumed on every separate piece of work. He may be a week on the same work, or he may be a week less interruptions. The Weekly Time Sheets may be handed into the office every Saturday night, and the book-keeper will go over them and charge all "time work" to the person for whom it is done. These Time Sheets, or something equivalent, should be used in every business where men are employed on various jobs or pieces of work, and there will not be any trouble to adapt it to any business, such as Foundry Work, Steam Fitting, Plumbing, Gas Fitting, Planing Factories, &c., where men are sent out, and in all factories where it is an object to know the time consumed on the articles being made, so as to be able to compute the cost readily.

## Sundry Points Relative to Manufacturing Books.

In all large manufacturing concerns it is found necessary to make fine divisions of labor in order to produce the maximum amount of the manufactured article from the expenditure of a minimum amount of money for wages to sell for a given amount of money. It is necessary in order to find out exactly the cost of manufactured articles to keep exact accounts with articles being manufactured. In large establishments the simple forms of books and papers are scarcely sufficient to meet the requirements. It is necessary to husband the raw material that is used in manufacture, and for such it is necessary in extensive shops to adopt what might be called a *Voucher system* in the office and works, that is, a printed form to fill up for every particle of raw material used in such manufacture, and for the time, etc., consumed on the work. Such vouchers are returned to the office and entries are made from them. We might define some terms commonly used in connection with manufacturing :

*Stores* is a title given for all material kept in stock to be used in the manufacture of articles being made. Such material is usually in charge of one person. The Stores Account is debited for the cost of such material and credited when such is given out to the employees for use. If accounts are always kept on the basis of cost the difference in the sides of the account will be the balance on hand. An account should also be kept in tons or pounds so that the quantity in stock would be known as well as the price. The person in charge of the stores should issue a voucher to the book-keeper, whereupon he would charge the article being made and credit Stores Account. If any material is returned to stores because it was not used, another voucher would be sent to the office, on receipt of which an entry would be made debiting Stores Account and crediting the manufactured article. The stores keeper keeps a record of the raw material, etc., under his control in a stores book, both as to number or quantity and to cost.

*Stock Account.*—This is an account kept with manufactured goods. It corresponds with the ordinary Merchandise Account. When any article or lot of articles are completed they are sent into the stock room and are charged up in the stock book in two ways : (1) by number or weight, and (2) the price at cost. This stock book is entered up by the stock keeper, who issues a voucher to the book-keeper on receipt of which he charges it to Stock Account in the Ledger.

When goods are sold they are to be taken from Stock Account. A voucher or order would be issued by the head of the firm or book-keeper, on receipt of which the stock keeper would deliver the goods to the packers and shippers and enter up both the number or quantity and value to the credit of his Stock Book. The book-keeper has the goods invoiced and entered up to the credit of the Stock Account.

*Stores and Stock Keepers Responsible.*—We propose to show how the keepers of stores and stock can be held responsible for the stock delivered to them just as a cashier is held responsible for the cash delivered to him. In order to do this the commodities must be received by these officers and given out at the same value. There is practically no trouble about the weights and there is very little trouble about the Stores Account, as the articles in the hands of the keeper of stores are not supposed to increase in value. The Ledger account for stores should always show the value of the stores on hand and the Stores book would necessarily correspond with it in balance,

The stock of manufactured articles are represented by Stock Account or Merchandise Account, and should be sold for more than actual cost. They will be invoiced to the purchaser at a profit. The keeper of stores on his order sheet should enter the goods up at cost as well as at invoice price, and enter the cost price only to the credit side of his Stock Book. When this is returned to the book-keeper he enters up the goods in his sale book at the two prices. The customers are charged from the sales book at invoice price, posting as usual. The two price columns are added up and the difference between the totals would be credited to Stock Account, and the difference or profit would be credited to some account kept for that purpose, it might be called "Profit Account" or "Stock Profit Account." The balance of the Stock Account would show exactly the manufactured goods in stock, at any time during the year it should agree with the stock-keeper's book. All goods, whether manufactured to order for a particular person or made to supply an expected demand, should be put through the Stock Books and Stock Account.

*Stock-taking.*—While the plan just outlined will give the quantity and value of the goods in stock and the goods in store, yet this does not do away with the real value of an annual stock-taking, which is really an annual survey of the stock not only as to its value but also as to its condition. Any old or out-of-date stock would be thrown out and either sold at a reduction, turned into stores and improved, or re-modelled, or the material used over again. Suppose a machine were in stock that had become utterly out of date, and was to be turned into stores as old metal to be melted over again. The stores keeper would issue a voucher for it at cost and at stores or old metal prices. The stores keeper would enter it up at his old metal price, and the book-keeper enters it up: "Profit and Loss and Stores Accounts Dr. to Stock Account." If on going over the Stock Book any goods are found at too high a price a voucher could be issued by the stores keeper to the book-keeper reducing the price of certain articles. This reduction would be credited in the Stock Book and journalized, "Loss and Gain Dr. to Stock Account" for the Ledger.

If a manufacturing concern wishes to be really careful with their property they will take stock at regular intervals. There is as much need to check the valuable goods as the cash in the hands of the cashier, and no firm would neglect to ask their cashier to show that he had the amount of cash on hand that the books called for.

*The Elements of Cost.* In any manufacturing business it is necessary to take various elements of cost into account before a proper estimate of the actual cost of manufactured articles can be arrived at. The following are elements:—

- (1) Cash paid out for wages to mechanics, laborers, &c., who actually work in producing the article. This comes through the time-sheets and pay-sheets.
- (2) All the material used in the construction of the articles. This would be taken from stores, and would reach the books through the store-keeper's vouchers.
- (3) The cost of general supervision. This would be allocated as a percentage either on the basis of the time spent on work, or on the value of time and materials, or by special report of the foreman. This item is to cover the cost of wages of foremen, overseers, inspectors, keepers of stores, &c., whose individual services are non-producing by actual labor.
- (4) Establishment charges to provide for the fuel, oil, &c., engineer and firemen's wages, &c., repairs to and maintenance of machinery, &c.



(5) Plant depreciation. This is to meet writing off a percentage from the value of plant according to the time it will last, or provide for the investing of a Sinking Fund that will replace the plant when worn out.

(6) Office expenses. To this class belong salaries for managers, book-keepers, and incidental and general expenses incurred about the office. If we are looking for the *prime* or *net* cost of the goods, only part of the office expense belongs to the prime cost, the other part being chargeable to the distribution or sale of the goods.

(7) Interest on capital invested in plant, and in material and wages.

*Plant* is a title given to all tools, machines, buildings, engines, boilers, &c., used in the manufacture of goods. This is what is sometimes called Fixed Capital, which according to John Stuart Mill produces its effect not by being parted, but by being kept, and the efficacy of which is not exhausted by a single use. This Fixed Capital depreciates in value with using, though it be not consumed with one using. In every manufacturing business there should be a regular annual charge made against the manufactured goods as part of the cost of manufacture for the depreciation of the plant used in its production. The plant depreciates in several ways :—

(1) By the wear and tear to the machine over and above current repairs. If the life of a machine would be ten years, and its cost \$125, and it were worth \$5 for scrap metal when used up, the net depreciation in ten years would be \$120 or \$12 per year, to be charged up for that machine. The machine would be reduced in the stock list \$12 per year. Another plan is to set aside and invest a Cash Sinking Fund to make up plant when used up.

(2) Owing to the many inventions and improvements in machinery, some of those in use are being constantly superseded by better and faster machines, some percentage should be calculated for on this account, and the manufactured goods assessed for something as part of cost on this account.

In the annual stock taking, the plant should be as carefully taken in the inventory as any other part of the assets of the concern. If any machine were manufactured in the works, it should go through the regular routine, and go into stock and be charged into plant and out of stock by an entry similar to that which would be made for a sale of goods, and this only on the proper voucher being given.

*The Voucher System.* In laying out the books for any factory of considerable dimensions, it is highly necessary to have a responsible foreman or manager in every department, so that not only work, but all property is looked after carefully. A Record Book suitable for each department, can be easily devised to suit the circumstances. These books should be kept by the responsible person in each department. For every entry they should either receive a voucher or give one, according to the nature of the business, and all such vouchers should be returned to or passed through the office, (generally returned with a daily or weekly report,) so that the proper charges may be made in the office books. These vouchers, sometimes called orders or warrants, should be numbered consecutively, so that if one is lost it will readily be missed.

## Banking.

*Banks are Incorporated Companies*—Under the Bank Act of 1890, Banks must be Joint Stock Companies, chartered by special Act of the Dominion Parliament, as the Dominion Parliament has control of all matters and things that pertain directly to the general commerce and trade of the country. The charters of the existing Canadian Banks expired July 1, 1891. The Act of 1890 continued the charters for 20 years. Banks must have a certificate from the Treasury Board of the Finance Department of the Dominion before beginning banking operations, and this certificate cannot be obtained until a deposit has been left with the Receiver General of \$250000 in cash, which must be within one year of the date of incorporation. There must also be a payment of \$5000, as a first contribution to the Bank circulation redemption fund. The capital of the Bank must not be less than \$500000, and the shares \$100 each. The cash deposit of \$250000 is returned to the Bank with the certificate that gives authority to begin business regularly.

*The Name*—No person, persons, Company or Association, may take any such title as “Bank,” “Banking Company,” “Banking House,” “Banking Association,” or “Banking Institution,” without obtaining a certificate from the Treasury Board. Any private partnerships or concerns, though they do a Banking business, are not allowed to assume a name like any of the foregoing, descriptive of their business as a banker, under penalty of \$1000 fine, or imprisonment not exceeding five years, or both.

*The Officers*—The officers of a Bank are called “Directors.” The Directors elect among themselves a President, Vice-President, Secretary, General Manager, etc. The management of the Bank generally is left with them.

A majority of the Directors of every Bank must be British subjects by birth or naturalization.

No person is eligible for a Director of a Bank unless he has considerable financial interest in the Bank. The property qualification required by the Statute is \$3000 of paid up capital, if the Bank is not more than One Million Dollars; \$4000, paid up, if the capital is over One Million, and not more than Three Millions. If the capital is over Three Millions, a paid up capital of \$5000 is the necessary qualification for a Director.

Directors are elected annually, and a provision has been inserted in the Act to prevent the abuse of the proxy system of voting. It provides that a proxy over two years old cannot be used, and thus sends the shareholders who attend in person, back at least every two years, to the shareholders they represent. The Directors are really much more in touch with the shareholders than if the proxies were allowed to run for all time.

*Double Liability*—The Banking Companies are formed and governed similarly to other Stock Companies, but the liability of the shareholder is different on account of the nature of the business—the great integrity required for the great trusts reposed in the Banks. On account of this, every person who takes stock in the Bank is liable for all the stock he subscribed for, and for as much more.

For example—Alfred Frost subscribes to the amount of \$1000 in the Traders Bank. He is liable to pay the \$1000 as called up by the Directors just the same as any other Stock Company. If, however, the Bank went into liquidation, the Directors would call up another \$1000, payable 20% every 30 days until all is paid.

In case of suspension all persons who made transfers of capital within 60 days before such suspension, are liable for any part of the double liability on shares that is not made up by the person to whom the shares were transferred.

*The Business the Bank May Do*—Banking consists principally in dealing in money. The following are different departments of business :—

- (1) The receiving of money on deposit.
- (2) The loaning of money.
- (3) The issue of Bank Notes or Bills for use instead of gold and silver.
- (4) Exchange or the drawing of drafts for the payment of money at a distance instead of remitting the currency.
- (5) The collection of negotiable paper for customers.
- (6) The purchase and sale, etc., of Bonds, Debentures, Gold, Silver, and Foreign currency, etc.

*The Business a Bank May Not Do*—Banks are incorporated for carrying on the ordinary business of banking, and are prohibited from carrying on other kinds of business, either directly or indirectly. They shall not

(1) Deal in the buying or selling or the bartering of goods, wares, merchandise, or engage in any such trade or business whatsoever.

(2) They shall not, directly or indirectly, deal in or lend money, or make advances upon the security or pledge or any share of its own capital or the capital of any other bank.

(3) They shall not, directly or indirectly, lend money on mortgage, on real estate, ships, wares, merchandise, etc.

## Receiving of Money on Deposit.

*Deposits*—A deposit is in reality a loan to the Bank. These loans to the Bank are of three kinds, differing according to their terms :—(1) Current Account. (2) Savings Bank. (3) Deposit Receipt.

The act of opening an account with the Bank begins the contract. The banker states his terms and the depositor accepts them and makes his deposit. The Bank may use the depositor's money for any legitimate purpose, but must pay it back to him when he desires it.

*Deposit on Current Account*—This is the plan on which merchants, traders, etc., deposit their funds. They use the Bank for two purposes :—(1) To receive and keep their money safely. (2) To pay out their money on cheque as they order it, so taking from every person the best evidence of the making of a payment—a cheque drawn to their order and paid by a disinterested party—the Bank.

The banker receives the use of the money for his trouble. Occasionally the banker pays the depositor a low rate of interest on his lowest monthly balance.

The depositor receives from the Bank a pass-book as an evidence of his deposit. All the deposits made and cheques charged are entered in this pass-book, and a balance is struck monthly, and all the cheques that have been paid are returned to the depositor.

(Chapter 20, page 67, of the Laws of Business by the author of this work.) The depositors in a Bank have a third claim on the assets of an insolvent Bank, the Bank notes having a first claim, the amount due the Government being the second charge. See form of Depositor's Ledger and description, pages 254 and 263-4.

*Savings Bank Accounts* are those kept with depositors who deposit their earnings for the purpose of accumulating them. It is customary for such accounts to increase steadily.

- (1) The funds are subject to cheque by the depositor on production of his pass-book.
- (2) The depositor receives from the Bank a small rate of interest, which is added to the account yearly or half-yearly, according to agreement.
- (3) A small pass-book, in which the account is kept, is the evidence of the amount on deposit. It differs from the current account in that it is usually a steady advance in the amount of the account, while in the current account method there might be ten thousand dollars to the depositor's credit to-day, and not ten cents to-morrow.
- (4) Deposits may be received from any person without regard to age or station in life, but are sometimes limited as to amount. See further descriptions and method of keeping account, pages 254 and 263-4.

*Deposit Receipt*—When a depositor has a sum of money that he can leave at interest for a time, he usually deposits it on "Deposit Receipt," sometimes called "Certificate of Deposit." (For form, etc., see page 264. The Deposit Receipt is the evidence of the amount of his deposit with the bank. All further description and methods of keeping accounts, and a form of register therefor are given on pages 254 and 264-5.

## Loaning Money.

*The Loaning of Money* is the second department of the business of a bank. As noted previously in this chapter the banks are not allowed to invest their funds in Real Estate Mortgages. The principal business is done in discounting negotiable paper, such as notes, drafts, bills of exchange, etc. These may be either:—

- (1) Customer's paper discounted by the holder; that is, notes drafts, etc., that have been given in the ordinary course of trade, or
- (2) Accommodation paper, in which one person has become security for another (without receiving value), for the purpose of borrowing.

*The Security Given*—Money is not borrowed from a bank on the strength or security of one name. In either of the foregoing cases, customers' or accommodation paper, there are two names, one as principal debtor and the other as surety. The bank in each case is an "innocent holder for value," and therefore can collect from all persons liable on that paper and therefore no bill or note in the hands of a bank as an innocent holder, can be held void on account of drawing usurious interest or on account of being tainted by fraud.

The bank may stipulate for, and take any rate of interest, not exceeding 7 per cent. per annum, and may pay any rate agreed upon on deposit. It may charge as high as one half of one per cent. as commission for collecting the paper, of its customers. If paper is for 3 months and the half per cent. commission is charged this equals 2 per



cent. per annum not counting days of grace, this making a maximum rate of 9 per cent. for discount and collection in all parts of the Dominion. The north wester can borrow as cheaply as the merchant princes of our eastern cities if he will furnish security.

*Collateral Security*—Many persons very rightly refuse to indorse paper for others, and in turn do not ask for indorsement. They give their own note to the bank and place other valuables along with it as collateral security. The collateral security may consist of any one or more of the following :—

- (1) Customers' paper left with the owner's note to secure it.
- (2) Warehouse receipt representing grain in an elevator, goods in a storehouse; lumber, ties, lath, etc., in a yard; logs, poles, etc., in a bay, cove or boom, etc.
- (3) Bill of Lading or Shipping Receipt that represents goods in transit.
- (4) Hypothecation of goods by wholesale dealer or of the manufacturer, while in course of construction, under Section 74 of the Banking Act of 1890. (See the following form.)
- (5) Mortgages or Liens on Real Estate or chattel property.

Note. These are taken only as additional or collateral security and not as the primary obligation of the maker.

*Form of Hypothecation* under Section 74, Banking Act of 1890.

In consideration of an advance of \$600 made by the Merchants Bank to James McLauchlan, for which the said Bank holds the following note, dated Owen Sound, March 1, 1891, for \$100 for three months at 7 per cent., the goods, wares, and merchandise mentioned below, are hereby assigned to the said Bank as security for the payment, on or before the 4th day of June of the said advance, together with interest thereon at the rate of 7 per cent. per annum from the 1st day of March.

This security is given under the provisions of Section 74 of the Bank Act, and is subject to all the provisions of the said Act.

The said goods, wares, and merchandise are now owned by James McLauchlan, and are now in his possession, and are free from any mortgage, lien or charge thereon, and are in his warehouse, No. 36, Poulett Street, in the Town of Owen Sound, and are the following :—

Two chests Oolong Tea ; 50 lbs. Java Coffee ; 25 lbs. Myrtle Navy Tobacco ; 200 lbs. Candies ; 200 lbs. Nuts ; 10 boxes Soda Biscuits.

Dated at Owen Sound this 15th day of March, 1891.

JAMES McLAUHLAN. (L. S.)

W. BROWN, *Witness*.

The varied forms of collateral security that may be given, makes the Banking system available by all classes of people. The Warehouse Receipt and the Bill of Lading being taken as collateral security, enables all classes of dealers to buy, and keep on buying, all classes of products of the farm, the forest, and the mine. Almost the entire grain product of the country is handled on this plan—the buyer invests his own capital or that supplied him on accommodation paper. For grain he takes his warehouse receipts and assigns them to the Bank collateral with his note, and has an advance of, say 75 per cent., of his receipts, or \$7500 made to him. When this is done he brings his \$7500 of warehouse receipts and gets another advance, and so on. When he wishes to sell, the Bank surrenders one or more warehouse receipts, and gets in their place a Bill of Lading or Shipping

Receipt in their favor, which they indorse to their agents where the stuff is being shipped. On its arrival the Bill of Lading is indorsed to the purchaser on receipt of the pay for the grain. This money is placed to the credit of the dealer or indorser on his notes. What is true of the grain dealer is likewise true of all dealers, as a warehouse receipt may be given for saw logs boomed in a cove or bay, or almost any other commodity.

The foregoing Form of Hypothecation is convenient for the manufacturer. It enables him to carry on his business without indorsement or mortgage of his property, or anything requiring registration, or the intervention of legal gentlemen. The form is a simple one, and execution of it is not more difficult than a promissory note. It enables the manufacturer to get the capital he requires for the carrying on of his work, and the making up of large stocks to be ready for sale when the time comes to place the manufactured articles in the market. Our system is so elastic that sufficient capital can be furnished to carry on such work and to purchase the entire products of grain, etc., in the fall and winter, and contract during the summer without loss to the banker, and at a low cost to the dealer or manufacturer for interest. The Bank Act also gives the bankers power to take an hypothecation of ships being built so that the shipbuilders may be able to get money to push their work.

*The Branch System*—The opportunities afforded to Banks by the issue of currency to push out and extend business on the Branch System has given to the Dominion splendid banking facilities. Those having their head offices in Montreal have extended their branches to both sides of the Continent. The people of the North-West are well provided with banking facilities, and to this fact perhaps as much as to any other, is due the rapid development of the Western parts of the country. The farm products are rapidly handled, and cash paid for them, because the Banks, through their branches out there, have supplied cash to the dealers, who in turn exchanged it for the products of the country, and this at 7 per cent. interest, while across the line in the United States, under similar conditions, the rate of interest paid is from 2 to 4 per cent. per month. Our rate of Bank interest is uniform throughout the country by legislation.

## Bank Note Circulation.

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*The Issue of Bank Notes*—Banks in Canada, with two exceptions, are allowed to issue Bank Notes to the full extent of their unimpaired paid up capital. Example—If a Bank has \$2,000,000 of paid up capital and none of it has been lost in any way, they can keep in circulation \$2,000,000 of their Bank Notes. All Bank Notes issued must be either \$5 or some multiple of \$5. All bills under \$5, such as 1's, 2's, and 4's, are issued by the Dominion Government, and every Bank is required to hold at least 40 per cent. of its cash reserves in the Dominion Government notes.

*The Bank Circulation Redemption Fund*, is a fund created under the Act of 1890 in the hands of the Receiver General, by each Bank doing business contributing to it an amount equal to 5 per cent. of its average circulation. The amount of each Bank's contribution to be adjusted annually on the basis of the average circulation for the past year. This fund is to be used by the Finance Minister in case of suspension of any Bank to take up the notes of that Bank two months after suspension, so that they may not be sold or paid off at a loss by the holders, nor the holders be inconvenienced by the

notes not being negotiable on account of such suspension. The notes of such suspended Bank bear interest at 6 per cent. from the date of such suspension until paid. The Redemption Fund in the hands of the Finance Department bears 3 per cent. interest and should it ever become depleted by Bank failures, such deficiency would have to be made up by the other Banks at the rate of one per cent. of their average circulation yearly. It will be seen from this that the capital and assets of all Canadian Banks are pledged in this fund for the circulation of each individual Bank. Each Bank would be required to put up its share of the deficiency in case of failure of any one Bank.

*The Security for the Bank Notes*—The payment of Canadian Bank notes is amply secured as follows :—

(1) They are a first lien on all the assets of the Bank that issues them, that is, they must be redeemed before deposits are paid, or any other debt liquidated.

(2) They are a first lien on the shareholders themselves by the Double Liability clause of the Bank Act.

(3) The Circulation Redemption Fund in the hands of the Receiver General is for the express purpose of redeeming such notes.

(4) The capital of every Bank in the Dominion is also pledged at the rate of one per cent. of its circulation per year for such repayment of notes of insolvent Banks.

The actual security held for a circulation of Bank notes of about \$33,000,000 is as follows : The assets of all the Banks amounting, with the Redemption Fund, to about \$276,000,000, and the Double Liability of the shareholders about \$63,000,000—in all about \$339,000,000, or more than \$10 of security to one of circulation.

*Over Circulation.* The expansion of trade in this growing country, and especially the extra expansion required after harvest for the handling of grain, affords quite a temptation to go beyond the limit of issue allowed by law. There are very heavy penalties set on any infraction of the law on this point, they are sufficiently heavy to deter every banker from going a dollar beyond his limit. A fine of \$1000 for any over issue from \$1000 to \$20,000, and \$100,000 for an over issue of \$200,000.

*Bank Notes always at par*—Only a short time ago Canadian Bank Bills were at a serious discount if carried a considerable distance from place of issue. An Ontario Bill carried to British Columbia would be at a discount of 10 per cent. sometimes, and the same when the British Columbia Bank Note was carried East. The Act of 1890 provides that each Incorporated Bank must establish agencies for the redemption of its notes at Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg, Victoria, and other places to be named by the Treasury Board, and the Bank is bound to receive its own notes at par in payment of any debt at any of its offices, branches, or agencies. The Bank notes now do not sell at a discount.

## Other Business.

*Bank Drafts and Bills of Exchange*—Banks arrange with one another for lines of credit, so that one branch may draw a draft on another Bank, or branch of a Bank, for a customer who wishes to remit money to any place at a distance. The draft is made in favor of the person that the customer wishes to pay the debt to, and is remitted by mail to the creditor. The Banks settle periodically, say every three months, among themselves. Drafts for foreign countries are known as Bills of Exchange.



*Making Collections*—Business men and others frequently leave their negotiable paper in the hands of their banker for collection, at whose place of business it has been made payable. The Bank charges from one-eighth to one-half of one per cent. commission for its work.

*Brokerage and Exchange Business*—Besides the foregoing lines of business, Banks frequently purchase and sell for customers all kinds of securities, such as stocks, bonds, debentures, etc., charging usually one-eighth of one per cent. on the par value of the security sold or bought.

Another line is that of exchanging foreign money brought into the country by persons coming into the country, giving them current funds for what is not current funds. A commission according to agreement is charged for this work.

*Statute of Limitations* is inoperative in case of liability by any Bank as to—  
(1) Its Bank notes issued. (2) Its deposits from customers. (3) Its dividends due stockholders. Unlike any ordinary debts, these never become incollectible by the Statute of Limitations.

NOTES. (1) A statement of assets and liabilities must be sent by each Bank to the Government at the end of every month, also a complete list of shareholders at the end of each year. These statements must be attested to by the affidavit of the chief officers. (2) A return must be made to the Government each year of dividends not called for, and of interest unpaid on deposits for five years. (3) Gambling in Canadian Bank Stocks and selling them on a margin are at an end, as transfers are only made by the bona fide holder of such shares. (4) Dominion Government cheques are to be paid at par at any branch of any Bank where presented. They are not subject to any discount, deduction, or commission, for collection.

## Book-keeping for Banks.

We will here illustrate the transactions of a week in a private Bank kept in a simple but practical way. We will not illustrate all of the books, as some of them are familiar to the reader who has thus far perused this book. For example it would be unnecessary to illustrate the method of keeping the Deposit Ledger, as that has been done in connection with the Building Society books. We will put all of the business in what we may term the "Teller's Cash Book." It might be called the Cash Journal. It is in reality a Cash Book into which all business is entered whether they are really cash transactions or not. If there is not any cash really passed, the amounts must be entered on both sides of the Cash Journal, for example the last transaction in the first day: Rec'd from Fleming & Co. for deposit, cheque of E. Pearen & Co. for \$3,226.70. No cash is really handled, yet the real transaction would be to pay out of Pearens' Deposit Account the amount of the cheque, putting it on the Cr. side of the Cash Book, and receive back the money on the Debit side of the Cash Book, and this being Cash Dr., Fleming & Co's account would be Cr. A little study and comparison of the entries with the Cash Journal will make the method clear. Remember that you are really running a Cash Book in the full sense of the term, and that when you place an entry on the Debit side of Cash Book that debits



Cash, and the person or thing for which it is received must be credited in order to preserve the equal Dr. and Cr. In like manner placing an entry on the credit side of the Cash Book credits Cash, and the person or thing for which it is paid must be debited.

This Cash Journal does not differ materially from the Cash Book in the Building Society. There are fewer columns and it is casier managed. It would be kept by the teller of the bank, who pays out and receives the cash for the institution. He likewise keeps a balance book in which he shows the totals of the receipts and payments of cash and net balance every day, also the actual bills, silver, etc., that represent that balance.

*The Deposit Account* is kept in the same way as in the Building Society, that is, the total sum of the deposits is in the account in the General Ledger, and the detail in the Deposit Ledger (see description of Deposit Account page 254, and of Deposit Ledger pages 263-4).

*The Deposit Receipts* will be managed in the same way as in the Building Society—one general account represents all Deposit Receipts in General Ledger, (see page 254) and a Deposit Receipt Register as illustrated on 264-5.

*Bills Receivable.*—For our Bills Receivable one general account would be kept in the Ledger and the detail of the actual notes that become the bank's property by being discounted for customers are kept in a Bill Book like that usually kept by merchants. There is no need to illustrate the form in this connection.

*Bills for Collection.*—When Notes, etc. are left with us for collection they do not belong to us and are only entered in a Bill Book like those in common use, but sometimes called a Collection Tickler. The name is new, but the form of the book is like the common Bill Book. When a bill is collected the amount less collection charges is placed to the credit of the person for whom it was collected, in his Deposit Account. It is put on the Dr. side of Teller's Cash Book. It is marked out of the Collection Tickler. If a bill is not collected but is returned to the owner, a memorandum is made opposite the bill in the "Tickler." It will be noted that there is no Ledger account for bills left for collection. The foregoing applies to local bills. If there are dealings with other banks in which bills are collected for them and the proceeds remitted, then such amounts when received in cash could be credited to "Collection and Remittance Account," and when the cash was sent out this account would be debited for the amount. The balance of the account would show the amount of any collections that had been received and had not been remitted.

*Discount and Exchange.*—In this column are placed all sums allowed us for Bills Receivable, and all exchange on drafts, and for the collection on bills and notes. If it were desirable these might be kept in separate columns and posted to separate accounts in the Ledger.

*Merchants Bank.*—On the Dr. side are placed all sums for which we credit the Bank. We have the privilege of drawing drafts on them payable at par at any of the branches of the Bank though drawn on the Toronto Branch. When we receive cash for a draft we place the amount to the credit of the Bank by putting it on the Dr. side of Cash Journal. When we remit cash to them it is put on the Cr. side of Cash Journal, and that is to be debited to the Bank. The Ledger account with the Bank will show the amount at our credit, balance, or over-draft.

*Posting from the Cash Journal.*—It is a very simple process to post from this book. The cash is not posted to the Ledger, the book simply represents the Cash Account. The balance may be taken into the Trial Balance on the Dr. side. The items in the Sundries column on the Dr. side are posted separately and the folio put opposite each one in the usual way. The total of the Deposit, Discount, Bank and other columns are posted to the credit of their various accounts. The Cr. side of the Cash Book is posted similarly to the Dr. side, but to the Dr. sides of the various Ledger accounts.

The following transactions, covering a week of time, may be posted and journalized in the Cash Journal and posted to the Ledgers in the ordinary way. A Trial Balance will be taken each day, also a statement of the deposit balances to show that the sum of the account balances agree with the balance of the deposit account in the general Ledger. It will be unnecessary to make a balance sheet showing profits, etc., as there is not enough business in a week to make profits, and more transactions would occupy too much space. There is nothing new to learn about the closing of the accounts of a Bank. They close just the same as the books of any other business.

## Memoranda of Six Days' Transactions.

MARKDALE, May 2nd, 1892.

W. Gaynor and A. E. Reilly form a co-partnership to engage in the banking business in accordance with Articles of Partnership executed this day. The gains and losses to be shared equally.

Gaynor and Reilly invested \$25,000 each. Paid rent of Bank building for one month, \$150. Received of A. E. Jones cash on deposit, \$2,000. Remitted to Merchants Bank, Toronto, to be placed to our credit, cash, \$10,000. Paid for Office Books and Stationery, \$50. Received cash of H. Campbell on deposit, \$3,000. H. Campbell bought of us a Sight Draft on Merchants Bank Toronto, for \$2,000 at  $\frac{1}{4}\%$  Exchange, received payment by check on us, \$2,005. Received of E. Pearen & Co. cash on deposit, \$5625.50. Paid A. E. Jones' acceptance in cash, \$609.30. Paid H. Campbell's check on us, in cash, \$375.30. Paid E. Pearen & Co.'s check on us, in cash, \$615.50. Received of Fleming & Co. for deposit, cheque of E. Pearen & Co. for \$3,226.70.

NOTE. Rule Cash Book, journalize and post, and make statements of Deposit Ledger and Trial Balance of General Ledger at the close of every day's business.

Tuesday, May 3rd, 1892.

Received of M. Cowie & Co. cash on deposit, \$10,000. Discounted for H. Campbell a note made by A. E. Jones for \$6500; Discount \$21.67 and proceeds credited. Paid M. Cowie & Co.'s cheque on us, in cash, \$4,325.88. W. Gaynor withdrew for private use, \$500. Paid H. Campbell's cheque on us, in cash, \$536.25. Remitted by letter to Merchants Bank to be placed to our credit, \$5,000. Paid E. Pearen & Co.'s cheque on us, in cash, \$1414.25. Sold M. Cowie & Co. sight draft on Merchants Bank for \$2,000. Exchange \$7.50. Received payment by cheque on us. Paid Fleming & Co.'s cheque on us, in cash, \$1,226.70. Received of A. E. Jones on deposit, cash \$5,100, and cheque on M. Cowie & Co. for \$3,624.17. Received of Fleming & Co. cash on deposit, \$8,932.80.

Wednesday, May 4th, 1892.

Received of M. Cowie & Co. cash on deposit, \$3,000. Accepted and paid T. E. Simpson's sight draft on A. E. Reilly, \$500. Paid A. E. Jones' cheque on us, in cash, \$2,500. Sold M. Cowie & Co. a sight draft on Merchants Bank for \$3,000, at  $\frac{1}{4}\%$  Exchange; Received payment in cash, \$3,007.50. Received of A. E. Jones cash on deposit, \$1,500. Paid A. E. Jones' cheque on us, in cash, \$625. Paid H. Campbell's cheque, \$4,155.37. Paid E. Pearen & Co.'s cheque, \$235.26. M. Cowie & Co. having overpaid Exchange yesterday, \$2.50, received credit for that amount to-day. Received of M. Morrison cash

on deposit, \$4,245.88. Received of Fleming & Co. cash on deposit, \$555.90. Paid M. Morrison's cheque on us, \$2,325.90. Paid H. Campbell's cheque on us, \$1,894.85. Sold A. E. Jones' sight draft on Merchants Bank, of Toronto, for \$112; Exchange 28 cents; Received payment by cheque on us. A. E. Jones paid his note in favor of H. Campbell due to-day, by cheque. Drew by sight draft on Merchants Bank all cash on deposit, \$7,888. M. Cowie & Co. note being protested, received from them in cash fees, \$2. Paid H. Campbell's cheque on us, in cash, \$511.56.

Thursday, May 5th, 1892.

Paid M. Morrison's note due to-day and presented for payment by B. Traynor, \$900 and charged to her Deposit Acct. Received of H. Campbell on deposit, cash, \$8,000. Received of G. F. Sherwood, cash on deposit, \$12,932.25. Paid H. Campbell's cheque on us, in cash, \$823.40. Discounted for M. Cowie & Co. note of Fleming & Co., dated Apr. 15 for 30 days, \$1500; Discount for 13 days and proceeds credited. Paid G. F. Sherwood cheque in cash, \$4,227.96. Received of B. Stewart on deposit, \$1,000, and issued him a certificate of deposit. Paid M. Cowie & Co.'s cheque, in cash, \$323. Paid A. E. Jones' cheque, in cash, \$197.16. Paid H. Campbell's cheque, in cash, \$1,523.25. Received of Fleming & Co. cash on deposit, \$420. Received of M. Morrison on deposit, \$3,000; Issued a Deposit Receipt for \$1,800 and credited balance. Paid Fleming & Co.'s cheque, in cash, \$4,158.10. Placed to our credit at Merchants Bank, \$5,000. Sold to G. F. Sherwood, sight draft on Merchants Bank for \$330.09; Exchange 83 cents; Received payment by cheque. Paid M. Morrison's cheque, in cash, \$300.

Friday, May 6th, 1892.

Gaynor drew out for private use \$500. Paid sundry expenses in cash, \$50. Paid M. Cowie & Co.'s cheque in cash, \$150. Discounted for C. B. Moore, note made by A. H. Julian, \$813.80; Discount \$4.07 and proceeds credited. Received of E. Pearen & Co. on deposit, \$650. Paid Sherwood's cheque in cash, \$123. Received of M. Cowie & Co. on deposit, cash \$200, and cheque on Sherwood \$527.25. Sold R. V. Sinclair sight draft on Merchants Bank for \$1,000; Exchange  $\frac{1}{4}\%$  and received payment in cash. Paid A. E. Jones' cheque in cash, \$250. Received of W. B. Bell, cash on deposit, \$871.85. Paid Fleming & Co.'s cheque in cash, \$1,700. Received of Fleming & Co. cash on deposit, \$500.

Saturday, May 7th, 1892.

Paid C. B. Moore's cheque, in cash, \$200. Received of W. B. Bell cash on deposit, \$350. Paid W. B. Bell's cheque in cash, \$400. B. Stewart presented Deposit Receipt and received cash. A. H. Julian paid his note by cash, less discount to maturity, \$3.93. Paid A. E. Jones' cheque in cash, \$233.88. Paid M. Morrison's cheque in cash, \$1919.98. A. E. Reilly drew for private use, \$500. Received of C. B. Moore cash on deposit, \$54.11. Paid E. Pearen & Co.'s cheque in cash, \$450.50. Received of E. Pearen & Co. on deposit, \$1,570.39. Received for rent of rooms above bank, \$20. Paid for coal and other expenses, \$10. Sold G. F. Sherwood sight draft on Merchants Bank for \$2,000; Exchange  $\frac{1}{4}\%$ ; Received payment in cheque on us. Paid A. E. Jones' cheque, \$500. Paid Fleming & Co.'s cheque in cash, \$1,200. Collected for A. E. Jones note made by C. B. Moore in his favor, for \$218.44; Collection  $\frac{1}{4}\%$ ; Proceeds credited to Jones and note charged to Moore's account. Received of Fleming & Co. on deposit, \$252.60.





Monday, May 2nd, 1892.

Cr.

	L. F.	REMARKS.	DEPOSIT.	Discount.	Merchants Bank.	Bills Rec.	Certificate of Deposit	SUNDRIES.
		Expense, Paid Rent..						150 00
		" " Books.						50 00
		Merchants Bank deposit			10000 00			
		A. E. Jones, Ck No. 1	450 00					
		H. Campbell, " " 1	2005 00					
		H. Campbell, " " 2	375 30					
		E. Pearen & Co. " " 2	3226 70					
		A. E. Jones, note ch'gd	609 30					
		E. Pearen & Co. Ck No. 1	615 00					
	8	Total Deposits .....	7281 30					7281 30
	27	" Bank .....			10000 00			10000 00
		" Cash .....						17481 30
		Balance Cash .....						48375 90
								65857 20
<b>Tuesday, May 3rd, 1892.</b>								
		Bills Receivable .....				6500		
		M. Cowie & Co. Ck No. 1	4325 88					
		W. Gaynor withdrew...						500 00
		H. Campbell, Ck No. 3	536 25					
		Merchants Bank Deposit			5000 00			
		E. Pearen & Co. Ck No. 3	1414 25					
		M. Cowie & Co. " " 2	2007 50					
		Fleming & Co. " " 1	1226 70					
		M. Cowie & Co. " " 3	3624 17					
	8	Total Deposits .....	13134 75					13134 75
	27	" Bank .....			5000 00			5000 00
	36	" Bills Receivable..				6500		6500 00
		" Cash .....						25134 75
		Balance Cash .....						59405 62
								84540 37
<b>Wednesday, May 4th, 1892.</b>								
		A. E. Reilly withdrew..						500 00
		A. E. Jones, Check No. 2	2500 00					
		" " " 3	625 00					
		H. Campbell, " " 4	4155 37					
		E. Pearen & Co " " 4	235 26					
		Exchange .....		2 50				
		M. Morrison, Ck. No. 1	2325 90					
		H. Campbell, " " 5	1894 85					
		A. E. Jones, " " 4	112 28					
		" " " 5	6500 00					
		H. Campbell, " " 6	511 56					

## Teller's Balance Book.

Balance from Saturday, Apr. 30th, 1892				000 00
Cash Dr. Deposits	..	..	..	\$13852 20
Discount	..	..	..	5 00
Merchants Bank	..	..	..	2000 00
Bills Receivable	..	..	..	000 00
Certificate of Deposit	..	..	..	000 00
Sundries	..	..	..	50000 00
Receipts for day				\$65857 20
Total				\$65857 20
Cash Cr. Deposits	..	..	..	\$7281 30
Discount	..	..	..	000 00
Merchants Bank	..	..	..	10000 00
Bills Receivable	..	..	..	000 00
Certificate of Deposit	..	..	..	000 00
Sundries	..	..	..	200 00
Payments for day				\$17481.30
Balance forward				\$48375 90

### *Cash on hand as follows :*

#### BANK NOTES.

40 × 1 =	\$40 00	Gold	\$8000 00
52 × 2 =	104 00	Silver	3000 00
40 × 4 =	160 00	Copper	1000 00
95 × 5 =	475 00	Script	250 00
80 × 10 =	810 00	Stamps	36 90
100 × 20 =	2000 00	.....	
250 × 50 =	12500 00	.....	
200 × 100 =	20000 00	.....	
			12286 90
Total Bank Notes	\$36089 00		36089 00

The grand total should equal the balance above \$48375 90

The object of this book is to put on record the exact commodity that represents the Cash Book balance. If there are any Due Bills or the like held as cash there are three lines on which to write them, following after Stamps. This form would be filled up at the close of each day's business. If the cash on hand did not correspond with the balance all vouchers would be checked over until the discrepancy were discovered and the wrong entries corrected before posting is done.

## Municipal Book-Keeping.

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There are no new principles of book-keeping to be explained in this connection, simply the old ones to be applied to the transactions of a municipality. A municipality such as a town, township, village, city, etc., is a public corporation—a non-trading corporation. In it there are not any profit and loss considerations. It is entirely a question of the collection of certain items of cash and the proper disposal or payment of the same. The accounts kept with such revenue and payments should clearly represent the yearly business as well as to carry forward any balances of assets or liabilities in the various accounts. It may be well to devote a few lines to describing the various corporation officers, of which there are two kinds, viz., those that are elected annually and those who are appointed.

### Officers Elected Annually.

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*The Chief Officer.*—In a town or city the chief officer is the Mayor ; in a township or village the Reeve. He should preside at all meetings, keep an oversight over the business of the corporation, sign all orders for the payment of money, and, on behalf of the corporation, sign all promissory notes, debentures, contracts, etc. He is elected annually.

*Other Elective Officers* are Councillors and Deputy Reeves in townships and villages, and to these the Reeves are added in towns and cities. These officers with the chief officer are supposed to exercise their collective ability on the control and management of the business of the municipality and especially to look well after the proper expenditure of the public money with which their constituents entrust them. These officials are usually divided into several committees to look after the various departments of the corporation business. Certain funds are placed at the disposal of each committee to meet the expenditure of each particular branch of the business. The following are some of the committees :

*Finance Committee.*—This committee has the general management of the financial affairs of the municipality, the collection of taxes, rates, assessments, licenses, the investment of sinking funds and the apportionment of the revenue to the various other committees for expenditure.

(2) *Board of Works.*—This committee should oversee all work done on roads, bridges, public buildings, etc.

(3) *Water Works Committee.*—The name implies that the business of this committee would be to manage and control the water works system of the town.

(4) *Town Hall and Market Committee.*

(5) *Cemetery and Parks Committee.*

(6) *Harbor and Railway Committee.*

(7) *Benevolence Committee.*

(8) *Printing Committee.*

(9) *Police Committee.*

### Officers Appointed by the Council.

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*The Clerk.*—The Clerk is to a certain extent the manager of the business of the municipality. He keeps the records, makes out voters' lists, collector's rolls, etc.

*The Treasurer.*—This officer receives and pays out the funds of the town and signs debentures and other obligations of the town. He should be more than a receiver and paymaster, not a kind of mechanical “nickel in the slot” machine that receives all that is brought to it and delivers up all that is called for—but a real, live business man who understands financial matters fully, that he (a sort of permanent officer) may be able to advise the aldermen, reeves, etc., and especially the finance committee, that in some towns consists of a fresh lot of members every year. To be a proper treasurer he should not only receive and pay out the funds and keep the books, but should be an active adviser of the administration on all the matters of finance. He should understand thoroughly all the sources of revenue and what may be expected from them, and all the needs of the municipality. He should be able to forecast the financial affairs for years ahead, and should keep the council posted in advance regarding all approaching needs in financial matters. If he simply acts as receiver and paymaster it would be better to appoint a Bank the treasurer, and save the salary of such an official. As this officer has to do with the books with which we purpose dealing, we have devoted considerable more space to the discussion of his duties than to the others.

*The Collector* is the person who is entrusted with the collection of all taxes, rates and assessments collectible by the municipality. He pays over the funds to the treasurer. He is paid either a stated salary or by a commission on all he collects.

*The Assessor* is the officer who places the valuation on the land, buildings and personal property on which the taxes are levied.

## Liabilities Exceed Assets.

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A municipality being a non-trading institution, simply raising revenue to meet current expenses and general needs of the town, it need not be a surprise if there is no great difference between the assets and liabilities of a town, and further, there need be no serious apprehensions if sometimes it is found that all the liabilities together are greater than the assets. There are three classes of expenditure, 1st, those sums that are invested in public parks, buildings, water works, etc., where there is a valuable asset produced to represent the expenditure of money. In this case the expenditure of money is simply capitalized. If all expenditures were of this kind the assets would very soon exceed the liabilities, for although the money were borrowed on debenture to pay for such assets, the accumulation of a sinking fund to meet these debentures would increase the assets over the liabilities.

2nd. The annual expenditure of the yearly sums collected to meet current expenses. This class of expenditure does not tend to produce any discrepancy or difference between assets and liabilities. It is not capitalized to produce additional assets over liabilities.

3rd. Expenditures of borrowed money that do not produce any tangible asset, that are not capitalized, that are expended for the general public weal. In this case a liability is created without producing a valuable asset, thus tending to make the liabilities exceed the assets. Of such expenditures we might mention bonuses to railroads, factories, etc., also extra large expenditures on roads, bridges, harbor works, etc., which when done are only public conveniences and public benefits upon which no monetary value can be placed. If a town had every dollar of its debts paid and had \$20,000 of cash and real



and personal property, and were to create a debenture debt for a railway bonus of \$100,000, the total liabilities would exceed the assets by \$80,000, and still there might be no cause for alarm.

## Two Classes of Liabilities.

From the foregoing it will be noticed that there are two classes of liabilities, (1) those *presently payable*, and (2) those *not presently payable*. Those presently payable consist of (a) all sums due and payable for public works, salaries and expenses that are to be met by the current year's levy of taxes, (b) Interest Sinking Funds and Debentures payable the current year. If these two classes exceed the current year's revenue, then there is cause for alarm.

The liabilities not presently payable may have set off against them (a) all public property, real and personal, (b) all Sinking Funds provided and invested for the repayment, such liability not presently payable. If these two classes of assets do not nearly equal the liabilities *not* presently payable, there may not be any cause for fear, or talk of financial embarrassment, as such future liabilities are simply a sort of mortgage standing a yearly charge against the revenues of the next 10, 20, or 30 years.

What is true of municipal account of towns, townships, &c., is also true in regard to the finances and assets and liabilities of the Provinces and the Dominion in regard to the productive and non-productive expenditures, and of the presently payable and future liabilities.

The assets of a corporation, though valuable for use like the plant of a factory, are usually not saleable at their valuation—they are really nominal assets—they are to be valued by their public utility, and not by their marketable value—a city hall, a bridge, docks, &c., would not generally sell for anything like cost. It is not these nominal assets that are to be counted when we estimate about the paying of a debt. It is the assessed value of the entire property situate in the corporation that we consider—not the amount to be realized from the sale of corporation assets, but the *tax payer's* ability that we count on.

*The Estimates*—The Municipal Councils are usually divided into committees for various purposes. One of these committees—the Finance Committee—prepares a statement of the expenditures that will be necessary for the next year. The Treasurer, who is a permanent officer, and who should be a good judge of the needs of the town, should be an active adviser of the committee. The chairman of the Finance Committee should obtain from the chairmen of the other committees, a statement (1) of what amount will be required for expenditure by his committee the ensuing year, and (2) what *revenue* will be derived from his department, also from the Public and Collegiate Institute Boards the amount required by them. The Finance Committee then adds together all the estimates of the various committees, together with its own, which will include interest, debentures, etc., that are usually called uncontrollable expenditure, and subtracting the estimated revenue from the estimated expenditure, the balance will be the amount to be raised by taxation. The school tax will be a separate levy, but will be made at the same time as the other. The total amount of assessed value of property will be divided decimally into the amount of money to be raised to find the rate of taxation. The total rate will be divided into various smaller rates, so that the amount to be raised for each particular purpose from each ratepayer may be found by multiplying each rate into his assessed valuation.

*Estimate of Revenue and Expenditures for the year 1893.*

Revenue.		Expenditures.	
Rents	\$1000 00	Deficit from 1892	\$1360 00
Cemetery	500 00	Sinking Funds	2862 00
Licenses	3600 00	Interest	5870 00
Waterworks	10760 25	Debentures (Consolidated)	3400 00
Interest	890 50	County Rates	9000 00
City Hall and Market	2520 25	Salaries	5000 00
Sewer connections	671 00	Roads and Bridges	1820 00
Sundries	1170 00	Street Lighting	2000 00
Taxes	42670 00	Water Works	5000 00
		City Hall and Market	2350 00
		Cemetery and Parks	2420 00
		Benevolence	2000 00
		River and Harbor	8000 00
		Insurance	1560 00
		Sewerage	2000 00
		Election expenses	3890 00
		Board of Health	2550 00
		Contingencies	2700 00
	\$63782 00		\$63782 00

Besides the above estimate of controllable and uncontrollable expenditure, there are levies of school moneys to make, and frequently there are certain works that have been done for the citizens of a special street or district for which they have agreed to pay. A special levy would be made on these portions to meet their own debt. This is called the "Local Improvement System," and many extra advantages, such as pavements, sewers, etc., are obtained in this way and paid for by the parties benefitted. The amounts of the special levies are arranged when the work is done, hence these do not form part of the general estimates.

## The Accounts.

It is not our purpose to present a series of books worked out in all their details, as that is perhaps unnecessary, we will give a short description of various accounts that are peculiar to municipal work, and we trust this will meet all the requirements.

*The City of — Account.* This account would correspond with the Capital Account in an ordinary business. On the credit side would be brought down from the former year the balance of assets over liabilities, if there were such. If the liabilities exceeded the assets the balance would be brought down on the Dr. side. The account that takes the place of Loss and Gain Account in ordinary books would close into this account the same as in any ordinary business.

*Cash Account.* This is really the account with the Treasurer. He is responsible for the balance on hand, as it represents the amount of funds in his possession.

*Bank Account.* This account needs very little comment, as there is no new principle to be stated, only this, that there may be several Bank Accounts—one general, and one with each Sinking Fund; the former being a Current Account, and the others really Savings Bank Accounts accumulating interest.

*Real Estate Account.* To this account would be charged all sums expended on city buildings, parks, market, etc., by way of permanent improvements that render them more valuable.

*Property Account.* To this account may be charged all sums paid out for tools, machinery, apparatus, etc., also in case it was thought desirable to hold as an asset some harbor works, docks, extensive bridges, and to be written off an equal sum during the estimated life of the several articles. This means is resorted to frequently to prevent the liabilities showing larger than the assets.

*Taxes Account, 1892.* This account would be debited for all the taxes for the year, including Dog Tax, Income Tax, Non-resident Land Tax, Statute Labor or Poll Tax, and the general tax on the assessed value of Real and Personal Property. At the same time the Collector would be debited for all given him to collect.

JOURNAL ENTRY.		EXPLANATION.	
Collector Dr.	\$	For Dog Tax \$	Income Tax \$
Non-resident Tax Account Dr.	\$	Statute Labor Tax \$	Tax per Assess-
To Tax Account	\$	ment Roll \$	In all \$ The Non-
		resident Tax of \$	being collected by the
		Treasurer.	

The Tax Account for the year on the credit side will show total amount of taxes of all kinds. If some of the taxes were remitted for any cause, and the Collector authorized to leave them uncollected, an entry should be made to relieve him from them, and it should be charged to Tax Account, so that this account may show the correct revenue of the year.

Tax Account Dr. \$160		For amount of J. Smith's tax on block
To Collector \$160		destroyed by fire remitted October 28, '92.

A new account should be opened up for each year's taxes. An entry similar to the above would be made for all taxes returned by the Collector as uncollectible. The account may be closed as hereafter described

*Tax Collector's Account.* From the foregoing it will be noticed that the Collector is charged with all taxes except those of non-resident persons from whom he is not expected to collect. He is to be credited with (1) all sums paid to the Treasurer in cash, (2) all taxes remitted by resolution of the Council, and (3) all taxes that cannot be collected. The Collector should be required to report at least once a week and pay over all sums in his possession, and the roll should be returned by a fixed date and entered up to his credit. It only leads to complications to allow one year's tax roll to drag into the next year. Every year should be kept separate and squared up in a business fashion. It is not an infrequent occurrence for a Collector to profit largely by retaining the use of a few thousands of dollars for quite a portion of the year. His work therefore should be closely held in check by the Treasurer and other officials.

*Non-Resident Tax.* This is usually paid to the Treasurer of a municipality by some agent, or sent him by mail, and all such sums would be credited to Non-resident Tax Account instead of to the Collector.

*Rents, Cemetery, Licenses, Market,* and all other accounts from which we derive revenue, would be credited with such sums as were paid in, and should there be any expense in connection with any of them, they would be debited with the payment of it, the balance of the account showing the net amount of revenue derived from such source,



*Working Account.* There is really no Profit and Loss in Municipal Accounts. We will therefore take the title *Working Account* in its place, as a more descriptive title. Another title that would be equally appropriate, would be *Revenue and Expenditure Account*. The accounts that do not represent assets would be closed into this account, as in other businesses, the revenue coming in on the Cr. side and the expenditure on the Dr. side. Accounts representing assets may be closed into this account for the amount of depreciation for the year. All accounts of expenditures for bonuses, etc., would close into Working Account. If the Dr. side is the greater the account shows that the expenditures have exceeded the revenue, and the balance would close into the City's Capital Account on the Dr. side to increase its net balance of liabilities.

*Accounts with Various Committees.* Each committee has furnished an estimate of the amount it would spend during the current year. This amount is levied for, and should be placed at their disposal. The amount spent by each committee would be charged directly to that committee, so that their expenditures could be easily compared with their appropriation. If a municipality would desire their business conducted properly, each committee should be kept rigidly within their appropriation, and nothing further granted except on some very urgent demand, and on the authority of the whole Council.

*Ordinary Debenture Debt Account.* The debentures of a town are issued at different periods, and sometimes an Act of the Legislature is procured consolidating all of these separate issues, and new debentures are issued for the whole debt. If kept in separate accounts, as Harbor Debenture Account, G. T. R. Bonus Debentures Account they would be kept in the same way as Consolidated Debentures would, and in the same way as described in connection with the Building and Loan Associations on pages 265-6, and at the credit of Debenture Account in the Ledger for the total amount. The account would be debited when any are redeemed.

*Local Improvement Sinking Fund No. 1, — Street Sewer.* When works of any kind are done on this Local Improvement plan, there is usually a frontage tax levied on the property to raise the amount in the number of years designated by the engineer as the "life" of the work, say 20 years. Then it is necessary by law to provide the yearly interest and such sum that being invested, and the interest capitalized regularly each year at 5 per cent., will produce the amount of the principal. Whenever interest is received on money thus invested, as Sinking Fund, it is added to the Sinking Fund by such an entry as—Cash Dr. To Sinking Fund. It is customary to invest such Sinking Funds separately, either in the bank or in debentures, and right at this point the Auditor requires to exercise the greatest care, as some municipalities invest in their own debentures, and Treasurers have been known to show the debentures as vouchers for the redemption of debenture debt, and likewise show them as investments of Sinking Funds, thus crediting cash twice for a single payment. The account with the above Sinking Fund is numbered 1 to indicate that a separate Sinking Fund Account should be kept for each and every separate piece of work done on the Local Improvement plan.

*Local Improvement Debentures.* These should be kept in a separate account from the ordinary debenture debt of the town or city, as they are really the obligations of special parts of the municipality, and not a part of the general debt. The total credit balance of this account will show the bonds outstanding, and the amount this balance exceeds the sum of the Local Improvement Sinking Funds is the amount still to be raised for Local Improvement purposes.



*Clerks, Treasurers, and Other Employees.* A personal account should be kept with each for the payment of his salary, so that the Ledger would show all the transactions with each one. Salary Account could be debited and each person credited with his earnings once a year or oftener.

*Contingent Account.* There is usually a little extra levied over and above the amounts asked for by committees and that may be required by some unforeseen circumstance, and any extra expenditures not otherwise provided for, are charged to this account. It closes into Working Account.

*Bonus Account.* When a bonus is given to any concern it is a direct payment out, and no corresponding asset comes in place of it. It is simply a gift, and the account would close into Working Account.

*Other Accounts.* There are sundry other accounts that might be described, such as Public School Fund, High School Fund, Election Expenses, Fuel, etc., that really need no explanation, except that they are debited for the amount paid out on account of them, and are closed into Working Account.

*Sinking Funds.* In common parlance we speak of *floating* the bonds of a municipality, also of creating a "Sinking Fund." The Sinking Fund in time sinks the "obligation to pay" out of sight in due time. Every municipality borrowing money on debenture must pay off the interest every year, and either pay a debenture each year, or invest such a sum that at the maturity of the debentures there may be a sufficient amount of these annual investments to pay the debt at its maturity. In any case the municipality must raise the same amount each year during the currency of the loan, and either pay off the principal yearly or invest a sum yearly to provide for it. Such investments are called Sinking Funds. A separate account would be kept for each Sinking Fund.

## Changing Books from Single to Double Entry.

If the books of a corporation are kept by Single Entry the sooner they are changed to Double Entry the better for both the municipality and the treasurer, and the proper time to do this is at the end of a fiscal year when the financial standing of the corporation is shown by a statement of assets and liabilities. The change can be made in two ways : (1st) By opening up a new set of accounts and journalizing all the assets and liabilities in the statement in the manner shown hereafter, and posting the entries to the new Ledger. The books are then ready to proceed. (2nd) By continuing the old books and opening up an account corresponding in nature and use to the Capital Account ; call it "Corporation of City of——Account" and enter up to the Dr. side the excess of the liabilities over the resources, or to the credit of the account the amount that the assets exceed the liabilities. If the Ledger accounts agree with the Statement of assets and liabilities and contain no unenumerated liability or asset, the books will be in balance. In the case of the following statement the amount to be entered up to the Dr. side of the "Corporation of the City of——Account" would be \$123,015.00, to put the Ledger in equilibrium.

This sum is exactly the amount that the liabilities exceed the assets in the statement. A trial balance should be taken, however, before proceeding.

As an example of changing to Double Entry and opening a new set of books we will give the Journal entries for a town of which the following is a statement of the assets and liabilities ;

## Assets and Liabilities.

*For the Corporation of———, at December 31st, 1892.*

### ASSETS.

Cash in Bank, current account.....	\$30499 00
Cash in Treasurer's hands.....	454 00
Sinking Fund, invested.....	8603 00
Fire Engine, Hose, etc.....	5500 00
Cemetery.....	8000 00
Real Estate and Buildings.....	40000 00
Taxes of 1892 uncollected.....	23000 00
Non-resident Taxes.....	600 00
Water Works.....	73550 00

190206 00

### JOURNAL ENTRY FOR ASSETS.

Molsons Bank,	Dr. \$30499 00
Cash,	" 454 00
Sinking Fund No. 1,	" 8603 00
Fire Brigade Appliance,	" 5500 00
Cemetery,	" 8000 00
Real Estate,	" 40000 00
Tax Collector,	" 23000 00
Non-resident Taxes,	" 600 00
Water Works,	" 73550 00
To Corporation of City of———	190206 00

### LIABILITIES.

Debentures.....	\$287221 00
Loans for general purposes.....	10500 00
Loans for Sewers.....	2150 00
Collected for Board of Education.....	12450 00
Para Rubber Co. for Hose.....	900 00

313221 00

### JOURNAL ENTRY FOR LIABILITIES.

Corporation of City of———	Dr. \$313221 00
To Debentures Payable,	287221 00
" Bills Payable,	12650 00
" Board of Education,	12450 00
" Para Rubber Co.,	900 00

## Annual Statements.

A municipality being a non-trading corporation no profit and loss statement would be made. A statement of Receipts and Expenditures of Cash should be made to show that money has been expended for proper purposes. A statement of Assets and Liabilities should also be made to show the present standing of the corporation. It is now necessary to publish such statements for eleven and a half months, to show to the electors before election the greater part of the financial acts of the administration of the year, so that the electors by their votes may be able to show their appreciation or disapproval of the work of their representatives. Such statements of Receipts and Expenditures of Cash should be made out in detail, showing from whom money was received and to whom paid. This statement is really a *copy of the Cash Book*. There is no need to give descriptions of these statements, as they have already been fully dealt with in this work.

## Instalment Plan of Collection of Taxes.

This plan of collecting taxes is one that though comparatively little known, receives the highest commendations wherever adopted. Usually taxes are payable at Nov. 1st, but in towns and cities especially it is very difficult to collect all at this date, and the municipality has need of only part of the money until the next spring and summer, when most of the work on roads, bridges, etc., is done. Under the ordinary system in many municipalities the taxes are allowed to drag along uncollected while money is being borrowed on interest, and there is in this way a direct loss. The plan is to make the taxes payable in three instalments, one-third each on the first days of November, March and June. If not paid promptly on these dates charge interest on the delinquents at a high rate, and if the taxpayer chooses to pay all taxes on Nov. 1st, a discount would be allowed on the second and third instalments.

## Book-Keeping for Churches, Etc.

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The book-keeping of various churches will vary somewhat according to the methods of doing their business. These variations will be caused principally by the different methods of raising or producing the revenue of the church, rather than by the modes of expending the money so gathered. For example, one congregation raises its funds methodically by what is known as the envelope system of weekly payments, another by renting the pews of the church, and still another by getting subscriptions from its members yearly or when needed, and others supplement these methods very largely by all kinds of bazaars, socials, soirees, parties, tea fights, bun feeds, grab bags, and an innumerable lot of clap-trap performances from nigger shows up, all done in the name of the church, for the purpose of extracting cash from members seemingly unwilling to bear their fair share of the expenses, and for the purpose of extracting money for the church from those who are not under any moral obligation to give support. It is evident, by reports from all churches however, that the "cooking stove apostacy" is on the wane, and that before long the work of the church will be supported entirely by the *voluntary* contributions of its members given regularly. We will devote very little attention to the irregular methods of raising church funds, and confine our attention chiefly to the weekly contribution plan, and to a convenient method of keeping a record of pew rentals.

### Weekly Collection Register.

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The following register will commend itself to the Church Treasurer or Steward who has charge of the finances where weekly contributions are made for church purposes. In many churches two could be used to advantage, one for the Minister's salary and one for contributions to liquidate church debt. Each member should be assigned a number on this register, and a package of numbered envelopes given him for each fund, the number to correspond with his number on the register. A bright red line should separate the names and a blue line should be between the red ones to write on. In this way the eye will readily follow out the amounts belonging to a name without danger of crossing over to the one next to it, above or below. The address of the contributor should be given, as also his pew number, so that a quarterly or monthly statement of his contributions may be given him. The total contribution for each day is added up, and the amount should be entered in the Cash Book. If two funds are dealt with they should be kept in different parts of the book, or in different books. Each alternate leaf being short a whole year's transactions can be put down at one writing of the names in an opening of the book. On the right hand side the business of the year is summarized, 1st, under arrears, giving what was unpaid the previous year, the arrears for each quarter and the amount due for this year to be taken on to next year. Then there is the total column, and the summing up of this would give the entire contribution to the fund for the year, which should agree with the credit side of the account in the Ledger with the fund of which this book gives the detail.

### Cash Book for Churches, Associations, Etc.

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The following form of Cash Book on the debit side is suitable for a church that collectst he bulk of its funds by voluntary subscriptions paid in envelopes weekly. There are

# Weekly Contribution Book of the.....

Envelope number.	Name of Contributors	ADDRESS.	Pew Number	Amount prom- ised weekly	JANUARY.					FEBRUARY.				MARCH.			
					£	10	17	42	31	7	14	21	28	6	13	20	27
1	Lewis Neelands		41	.10	10	10	10	10	10	10	—	20	10	10	10	10	10
2	S. J. Kennedy		10	.15	15	15	—	—	45	15	15	15	15	15	15	15	15
3	Jas. Smith		62	.75	75	75	75	75	75	75	75	—	95	95	95	90	75
4	Jennie Young		17	.25	25	—	—	—	75	50	25	25	25	25	50	—	25
5	R. Marshall		22	.50	50	50	50	50	50	—	—	72	75	75	75	50	50
6	Chas. Marshall		51	.30	30	30	30	—	—	30	30	30	30	—	—	30	30
7	Jennie Hall		46	.05	05	05	05	05	05	—	10	05	05	05	—	—	05
8	W. Ingrave		58	.20	20	40	—	20	20	20	20	—	—	60	20	20	—

*Dr.*

Cash Book of \_\_\_\_\_ Church,

DATE.	L. F.	RECEIPTS.	GENERAL EXP'NSE A/C	EVANGE- LISTIC.	DEBT.	SUNDRIES.
Jan.	3	Collection, plate, morning ..	3 75			
"	"	" " evening ..	2 80			
"	"	Evangelistic Fund, Envelopes		31 50		
"	"	Debt Fund "			6 40	
"	" 68	Foreign Mission Fund "				4 50



[illegible]

[illegible]



several funds and each is maintained separately, while all the cash is kept by one treasurer and may be kept together, the accounts with the various funds keeping a strict account with its own cash, while the Cash Book keeps a record of the total on hand for all funds. If rents of pews were a principal source of income a column would be so headed, and the cash entered from the Pew Rent Register. In case of a Young Men's Christian Association the columns would be headed to correspond with the sources of income, viz., (1) Membership Fees, (2) Gymnasium Fees, (3) Subscriptions, (4) Sundries. The totals of the columns would be posted as in the Cash Journal; in fact, there is no reason why the church or Y. M. C. A. books might not be run on the Cash Journal plan altogether without an ordinary Journal.

The credit side of the Cash Book has three columns. There might be more if desirable. If there are many payments for any account make a column for it in the Cash Book. It will be noticed that the transactions are not arranged according to Ledger titles except the item in Sundries column, as this is the only column that is posted item by item, the others being posted in totals. What is particularly necessary is to get the amounts into the correct column. If there were frequent payments for organist or janitor's salary, or for Sunday School work, open a column for them so as to save posting. The Cash Book may be balanced once per month and the totals posted.

## Pew Rent Register,

*For the Year 1892.*

No. of Pew.	No. of Sittings.	NAME.	RESIDENCE.	Yearly Rental.	Arrears bro't forward from 1891.	RENT PAID FOR 1892.				Total Paid.	Arrears to 1893.
						1st Quarter.	2nd Quarter	3rd Quarter	4th Quarter		
1	4	Geo. Smith . . . . .	41 Dease St. . . .	6 00		1 50	1 50	1 50	1 50	6 00	
2	4	Jno. Rutherford . . . . .	84 Scrope St . . .	6 00		1 50		3 00	1 50	6 00	
3	2	J. D. Steward . . . . .	10 Mill Road . .	3 00	1 00	2 00	50	75	75	4 00	
3	2	Thos. Milton . . . . .	164 Division St..	3 00	75	1 00			75	1 75	2 00
4	4	A. L. McIntyre . . . . .	173 Terrace St..	6 00		1 50	1 50		3 00	6 00	
5	4	J. McLauchlan . . . . .	34 Murdock St. }	9 00		2 25	2 25	2 25	2 25	9 00	
6	2	" " " " " " }	" " " " }								
6	2	Jas. Masson . . . . .	68 Baker St. . . .	3 00	2 00	3 00	1 00		1 00	5 00	

## Pew Rent Register.

In many places it is the practice to establish the relation of landlord and tenant between the church and its members, adherents, frequenters, etc. It has, we presume, the advantage of extracting from parsimonious individuals what should be given by them as a free-will offering out of a fund that the Apostle Paul would have every Christian create, by laying aside a sum weekly on the first day of the week as the Lord had prospered him. See 1 Cor. 16, 2. When this pew rental plan obtains in a congregation a Pew Rent Register similar to the above should be procured to save time and work by the Treasurer



in keeping accounts. It saves keeping a Ledger account with every pew-holder, and presents a complete record of every sitting in the church in a very convenient form, as well as keeping an account with the person renting it, and the arrearages if any are brought forward from year to year. There should be a column in the Cash Book on the Dr. side headed "Pew Rents," and an account in the Ledger, so that all sums may be added to it monthly from the Cash Book. At the end of the year this account should agree with the total of Pew Rent Register. The account may be closed into Evangelistic Fund Account, Debt Fund Account, or Working Account, according to the purpose to which such contributions are applied.

### Description of Accounts.

*Church Capital Account*—This account would be similar to the Capital Account of a single proprietor in an ordinary business, and quite similar to the "City of —— Account," described on page 294. The amount that the credit side exceeds the debit side of this account will be the net worth of the church over its liabilities. The "Working Account" that takes the place of Loss and Gain Account would close into it. If several funds, such as Evangelistic Fund, Debt Fund, etc., are kept separate so as to show the balance on hand in each one of them, this account will not show the entire worth of the church, as at each account of this kind is carried a credit or debit balance, and it is really a Capital Account.

*Working Account*—The Church is a non-trading Institution, and therefore the name Loss and Gain is an inappropriate title for the account, into which all, or many of the expenditures and receipts of revenue close—it is therefore called Working Account, and is closed into Church Capital Account in the same way as Loss and Gain is closed into Proprietors' Account.

*Evangelistic Fund Account*—All contributions, from whatever source, that are intended for the preacher's salary, for the payment of evangelists for special meetings, and for anything in the line of preaching or spreading the Gospel. All such sums would be entered in the evangelistic column in the Cash-Book, and posted to the credit of this account. If the Church has adopted the systematic and orderly way of weekly contributions in envelopes, the sum total of the column in the collection register, page 300, will be entered weekly in the Cash-Book, and thence credited to this account. All subscriptions, donations, special collections, etc., received for this purpose, would come in through this same column in the Cash-Book to the credit of this account. The payments made to the preacher would be charged to him. All sums paid for other evangelistic work would be charged directly to this account, and the preacher's salary would be closed into this account at the end of the year. If all sums received for evangelistic purposes had been expended the account would balance. If some remained on hand the credit side of this account would be the greater, and if all had been expended and some other fund drawn on and more paid out on evangelistic account than had been received in, the debit side would exceed the credit side by just this amount. The balance of this account would be carried on from year to year. It is of the same nature as a Capital Account. If at any time it were thought proper to take some money permanently from another fund and put it into this fund—suppose \$100 were to be transferred from general expense fund to this one, then a journal entry would be made as follows:—

General Expense Fund Dr. \$100

To Evangelistic Fund \$100

*Debt Fund Account*—Unfortunately a large majority of the churches have a huge incubus, known as a church debt, to harrass and encumber them, even though one of the apostles exhorted to owe no man anything but love. If the weekly contribution by envelopes were applied to the debt, it would soon disappear. A part of the weekly contribution register could be used for pledges payable weekly, just in the same way as for Evangelistic Fund. This account is kept in precisely the same manner as the Evangelistic Fund Account, credited with receipts and debited with payments either directly or by closing accounts containing such payments into it. It should show the balance on hand of such debt money. When a payment is made on account of principal of the church mortgage besides the entry charging the Debt Fund Account with the payment, a *Journal Entry* should be made charging the mortgage and crediting Working Account for the payment, as the liabilities have been decreased to the amount of such payment : Suppose \$500 were paid on account of mortgage, the Journal entry would be :—

Mortgage Payable Dr. \$500

To Working Account \$500

This entry is necessary here and not in the Evangelistic Account, because in this case the capital of the church is increased by the liquidation of a standing liability, while the Evangelistic Account payments are used to liquidate current expenses for preaching, &c.

*Foreign Mission Fund* and all other funds of a like nature, may be treated just as the Evangelistic and Debts Funds are, viz., credit the account with all money received, and debit it when money is remitted to the Secretary of the Society. Proceeds of socials, bun feeds, etc., may be credited to the fund they were gotten up in aid of, or an account may be kept for each one, or each kind, or each series, and the account closed into other funds, or closed into Working Account, as seemeth best to the Treasurer.

*Other Accounts*—In Real Estate Account we would put the building and lot. In Furniture and Fixtures Account we would put all pews, furniture, lamps and lighting appliances, carpets, etc. The organ also is charged to this account sometimes. Church Plate Account takes charge of communion plate, and in some cases collection plates, &c. Library Account, the library, &c., &c.

## Annual Statements, Etc.

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The Church, the Y. M. C. A., and other associations of like nature are not trading corporations, therefore, like municipal corporations there is no account taken of Profits and Losses. The statements of Receipts and Disbursements of cash, and the Assets and Liabilities are the statements that should be made. This should be done once a year, and printed and sent to the members. There should be a general meeting at least once in three months at which a quarterly statement could be read and the church in this way kept informed of the standing of its affairs. Keeping in touch with the members or contributors by frequent statements to them of the finances and needs of the church, or guild or association, is one of the greatest elements of success in the financing for churches, or benevolent and eleemosynary corporations.

It is unnecessary to again describe the statements mentioned above. On pages 169 to 170 and 239 and 240 there are sufficient examples and descriptive matter to enable any person to understand what is necessary in this connection.

## Changing Church Books to Double Entry.

When we remember that the "Church Capital Account" takes the place of the proprietor's capital account in the single proprietorship there is no trouble. The ordinary change from Single to Double Entry may be described as three steps, viz.:

(1) Make a Statement of Resources and Liabilities to find the net worth and the increase or decrease of capital since the previous balance.

(2) Open accounts in the Ledger for all Resources and Liabilities in the statement, and not already in the Ledger ; enter the Resources on the debit side and the Liabilities on the credit side.

(3) Enter up any decrease of capital to the Dr. side of Church Capital Account, or should there be an increase of capital enter on the Cr. side so that the Capital Account will agree with the statement and the books are in balance.

The above will continue the old books. If a new set is to be opened make a statement of Resources and Liabilities, journalize the statement as indicated on page 298, simply substituting Church Capital Account for the city's capital account.

## Warehousing of Grain, Etc.

Warehouses are of two kinds, (1) *Public*, where goods or grains are stored for others than the owner of the warehouse, and the warehouse man grants a warehouse receipt for the commodities stored, these warehouse Receipts being frequently used in the banks as collateral security. (2) Where the owner of the warehouse uses it for the storage of his own grain or goods. In the public warehouse business, it is not a question of values that concerns us but it is a question of quantities, so in the public warehouse we would keep account of the number of bushels of each kind and grade of grain received, and the number of the Warehouse Receipt representing it. The grain is released on the return of the Warehouse Receipt to the warehouse man, who issues a Delivery Order. This order is given to the men who load the grain or draw it away. Post directly to the Ledger from both the Warehouse Receipt Book and the Delivery Order Book.

(STUB.)	( WAREHOUSE RECEIPT.)
<i>No. 1.</i> May 23, '92. Received from Robert Sword, 2,000 Bush. White Winter Wheat, No. 1.	<i>No. 1.</i> OWEN SOUND, May 23, 1892. Received from Robert Sword in good condition for storage, Two Thousand Bushels White Winter Wheat No. 1, deliverable to him or his order on the surrender of this Receipt.
—POSTING—	
Debit No. 1 W. Wheat folio 64 Credit Robt. Sword, " 98	R. & A. THOMSON.

When grain is withdrawn the Warehouse Receipt is returned and a Delivery Order is issued to the owner of the grain in its place. This order is sent with the men that load or team away the stuff, and is returned to the warehouseman who issued it. The following is a form. From one hundred to a thousand of such forms would be bound together in a book.

(STUB.)		(DELIVERY ORDER.)	
No. 1.	Date, 10/6/92,	No. 1.	OWEN SOUND, June 10, 1892.
Name, Robert Sword.			
2,000 Bushels W. Winter		Please deliver to Robert Sword or his order, Two	
Wheat, per Warehouse Re-		Thousand Bushels of No. 1 White Winter Wheat, for which	
ceipt No. 1.		Warehouse Receipt No. 1 has been surrendered.	
—POSTING—			
Debit Robt. Sword, folio 98			
Cr. W. W. Wheat No. 1 " 64			R. & A. THOMSON.

### WHITE WINTER WHEAT ACCOUNT.

		R. NO		D. ORDER NO.	
May 23 92	To Robt. Sword	1	2000	June 10. 1892. By R. Sword	1
" 24 "	W. Struthers	2	1500		2000

### ROBERT SWORD.

		D. O.		R. NO	
Jun 10, 92	W. W. Wheat,	1	2000	May 23, 1892. By W. W. Wheat	1
					2000

From the foregoing it will be seen that the books can be kept by Double Entry, and a Trial Balance taken of bushels as well as dollars. If the warehouse is a private one keep accounts in both bushels and dollars in a double ruled Ledger as illustrated on page 219.



## Special Books for Medical Men.

In this connection we will illustrate special forms of books for the use of medical men. These may be either in small form to carry in the pocket, or in larger form for the office. What is required is a convenient record for the visits, office consultations, operations and other services rendered to the patients.

Physician's Daily Record, for Office, of Visits and Receipts on account from Patients,

*For the month ending 31st May, 1892.*

[illegible]

## The Register of Visits, Etc.

The form illustrated herewith is for a daily record of all services rendered, and these services are marked daily as the time of workmen is recorded in a time book. A small code of signs should be adopted so that the nature of the service may be indicated by the mark put down. We suggest the following as the beginning of such code : *O, office consultation ; V, visit ; /, additional visits on same day ; S, surgical operation ; B, bone set ; D, dislocation ; Ob, obstetrical case, etc.* It will be noticed that there is both Debit and Credit for each name, so that the entire business for the month is recorded at one opening of the book, and it may be summarized ready for posting. The sum of the cash received would correspond with the Dr. side of the Cash Book if one is kept. This book forms a Day Book and Journal for this business. Double Entry can be carried out with these books by opening account to post the sum of the totals to, etc.

## Physician's Annual Ledger for the year 1892.

NAME AND ADDRESS.	REMARKS.	Bal. from last year.	Jan.	Feb.	March.	April.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Total Dr.	Total Cr.	Balance forward.
J. W. Smith, 25 Scrope St.	Dr.	\$ 6 00	\$ 38	\$	\$	\$									\$ 44	\$	\$
	Cr.		23 10	5	3											41	3 00
James Richer, 11 Baker St.	Dr.	2 00													2 00		
	Cr.	2 00															

## The Physician's Ledger.

The foregoing form of Annual Ledger has been devised for the convenience of medical men. They can keep in this book in very small space :

(1) The accounts with all their patients by posting monthly from the Register of Visits, etc., both of services rendered and payments made thereon.

(2) They have a record of all arrearages due them from past years by adding up the columns of arrearages.

(3) They can find out the annual value of their practice by adding up the total Dr. column.

If it is desirable to apply Double Entry, open an account to which the totals of the debits and credits of the Register of Visits may be posted monthly. This should be an ordinary Ledger and there should be a Cash Book and Journal as well, so that payments of money, investments, expenses, etc., may be properly recorded. Open an account with "Professional Services," to which all services charged to patients may be credited from the column headed "Total Dr." in the Register of Visits, etc. If payment of any of such services are afterwards remitted, the "Professional Services" account would be debited. All other accounts such as "Stable Account," "Expense Account," would be kept in the general Ledger and the annual Ledger kept for personal accounts with patients.

Books specially ruled containing Register of Visits, Ledger, and Record of Obstetric Cases, may be obtained from the author, in both office and pocket size.

## Partnerships.

A work of this kind would not be complete without a discussion of Partnerships, the general principles and laws governing their formation, capital, liabilities, and division of profits. We propose to deal with this subject in two departments, (1) the general principles and laws governing them, and (2) methods of dividing profits, making settlements for them, including a great variety of practical problems. For a further consideration of the legal aspect and the forms of contract, and of certificates for registration, &c., see chapters on Partnerships in "The Laws of Business," by the author of this work.

*Definition*—Partnership is a voluntary contract between two or more persons to contribute their property, labor, skill, knowledge or credit, or some or all of them, into some lawful business enterprise for the purpose of making profit and to divide any profit or bear any loss they may make in course of the business in such proportions as has been agreed upon. A Partnership is also known as a Co-partnership, a Firm, a House, a Company, these several names are synonymous and refer to the Partnership collectively. When the persons composing the partnership are referred to individually each one is called a *Partner*.

*Community of Profit*—The central idea in all partnerships is to make profit, and the test of any partnership is "*a community of profit*," that is, all the profits made by the firm go into one common fund, and are divided after the losses have been deducted. In case it is desirable to prove the existence of a partnership at law, all that is necessary is to show that there is a community of profit, that is, a common profit fund for the parties concerned.

*Who May be a Partner*—Any person capable of doing business, that is, any person of age and able to make ordinary contracts. According to the nature of their agreements partners may be divided into (1) General partners, (2) Silent partners, (3) Limited partners, (4) Nominal partners.

*A General Partner*, sometimes called an ostensible partner, is one that is known to the public as a partner. (1) He generally appears at the place of business and takes an active interest in the conduct of its affairs. (2) He is represented in the firm name either by having his name appear in it, or by the term "Co." (company.)

*A Silent Partner*, sometimes called a sleeping or dormant partner, is one who contributes capital, and has an interest in the business. (1) He is not known to the public generally as a partner. (2) He does not take any active interest in the affairs of the firm. If you wanted to do business with the firm you would not find him in the office to attend to your wants. (3) He is not represented in the firm name by anything more definite than Co. (company.)

*A Limited Partner*, sometimes called a special partner, is a *silent* partner, who, at the making of the partnership contract, stipulates that he will not agree to be liable for losses beyond a certain amount. This sum must not be less than his capital invested. It should be noticed in this connection, (1) That a general partner cannot limit his liability to a fixed sum, because he has the working of the business and knows all about it, and might take this way of defrauding creditors. (2) That any agreement as to limited liability must be in the articles of agreement when the partnership is formed.

*A Nominal Partner* is one who has no interest in the business, but who lends his name and credit to the business. He may sometimes be liable for the firm debts, though he gets no profit. Example—Jones is a member of the firm of Jones & Brown. He sells his interest in the business to Smith, but allows his name to remain in the firm name, so as not to make known to the public generally that the popular and wealthy Mr. Jones has severed his connection with the firm. Jones is held out to the public as a partner. Any person giving credit to the firm in good faith, believing Jones to be a partner, can hold him responsible for the debt in case of failure to pay by the firm.

*How Formed*—Partnership contracts are formed as all other contracts—by *agreement* of the parties. It may be in express words, or by persons simply engaging in business together without any definite stipulations. The agreement is therefore either, (1) Implied, or (2) Express, and the express agreements are either (a) Oral contract, (b) Written simple contract, (c) Written sealed contract.

*Partner by Implication*—It was mentioned in a preceding section that sharing in a common profit fund is the primary element of a partnership. If persons do business together without any agreement, they may be proved partners. A, in Ontario, might buy horses and ship to B, in Winnipeg; B sells the horses—they divide the profit made in the transactions—they are partners by implication.

*Partners by Oral Contract*—Many partnerships are formed by the parties simply meeting and agreeing among themselves—the terms are not always stipulated in full. Such contracts are not desirable, as many disputes arise out of an imperfect understanding of the terms of the contract. Oral contracts should not be depended on when the business of the firm is of any consequence, and besides, Oral Contracts under the Statute of Frauds, are only good for one year.

*Partners by Written Contract*—When any large amount is involved, the articles of agreement should always be in writing. A seal added to make it a specialty contract makes it better and more binding. Such written agreements are called “Partnership Contracts,” “Articles of Partnership,” “Partnership Deeds, &c. They should contain (1) The description of the parties and firm name. (2) The nature of the business and the place where it is to be carried on—this is called the undertaking. (3) The investment of each partner and the mode of division of profits and losses. (4) The date of commencement and duration of the partnership. (5) Limitations of powers of partners and their duties to one another. (6) Provisions for keeping accounts and settlement of partnership affairs. (7) Provisions for dissolution and final adjustment of partnership affairs. (8) Provisions for settlement in case of death of a partner. (9) It is very proper to make provision for the signing of the firm name, who shall do it and who shall not. (10) It is very proper to include a provision binding all partners not to indorse paper for any other firms personally, or become surety or bail for any one without consent of the others, as a sudden withdrawal of a partner's interest might cause the firm to collapse if it occurred at a critical period.

The ten foregoing items are in ordinary partnership contracts. There are printed blank forms purchasable at almost any place. There are two additional provisions that we desire to draw special attention to. (1) There is usually a stipulation providing for the right of the partners or their *legal representatives* to examine the books. The legal



representative has been held to mean heirs and executors after the partner's death, and in case a partner wished to bring an accountant to examine the books, he could be prevented from doing so. It should be very clearly expressed that a partner may examine the books either personally or by his agent or attorney. (2) The second provision that needs attention is that in case of disagreements or dissatisfaction the partnership could be dissolved by either party giving the other certain notice, and that the party giving such notice, would either buy or sell out at an arbitrated or an agreed figure.

*Registration of Agreement*—It is not sufficient to draw up a partnership deed to comply with the laws of Ontario, and almost all Canadian Provinces and American States. It is necessary to register a declaration of the formation of such partnership, so that a person who desires to do business with such partnership may be able to find out readily and surely who are to be financially responsible to him for contracts he may make. It is also necessary to be able to know the members of a firm in case a suit at law is to be brought against them. The revised Statutes of Ontario, Cap. 130, provides:—

(1) That a declaration setting forth the names of all the partners, the firm-name, etc., be registered in the County Registry Office where the firm business is to be carried on.

(2) That any individual who wishes to add "& Co." to his name, or to use any special name other than his own, must register a declaration to this effect.

(3) Such registration must be made within six months after the formation of the partnership.

(4) In case of neglect to register a declaration of partnership, the firm may, by Ontario Statute, be fined one hundred dollars. One half of the fines go to the Crown, and the other half to the informant,

*Contribution of Capital*—Each partner contributes in some way to the capital or maintenance of the firm. He may contribute, (1) A capital of cash, real estate, or personal property. (2) A secret of some process of manufacture, patent right, or something of use to the firm. (3) Labor, or skill, or in work, or experience, knowledge and time, &c., in management. (4) Good-will of an established business. (5) Credit—the use of his name in indorsements, &c., for the firm. A partner may contribute any one or all of the foregoing to the partnership, and draw the profits on account of the benefits the firm derives from him.

*Division of Profits*—Profits are frequently divided, (1) According to a fixed proportion, say one-third to each partner, or a half to one, a third to another, and a sixth to the third. (2) According to capital invested in the business. (3) By allowing each a salary, and dividing profits remaining according to a fixed proportion, or according to capital invested. (4) By giving each partner interest on his capital, and dividing the remainder according to some fixed proportion. (5) By a salary to each for services, interest to each on capital invested, and remainder to be divided according to some fixed proportion, say equally, or two-thirds to one and a third to the other. In many firms it is necessary to adopt the fifth method or a three-fold division that gives, (a) Pay for personal services, skill, &c. (b) Pay for capital invested. (c) A general sharing up of the remaining profits to every member of the firm, whether active, silent, or limited partner.

*Salary Based on Profits*—In many firms it is customary to give a chief clerk a percentage of the net profits of the firm as salary, such salary operating to make the employee more faithful and diligent in pushing business, and careful as to expenses. This is the only case where a person may share profit without being liable as a partner. There must be a definite contract to this effect in order that such employee may be free from liability for the firm's debts.

*Ownership of Invested Capital*—As soon as property of a partner is invested in a partnership, it becomes the joint property of all the partners. This is always the case where all have contributed; however in case one contributes capital, and another skill or labor only, and takes his profit yearly, he does not acquire any ownership in the property of his partners.

*Powers of Partners*—Each general partner, unless prohibited in the articles of partnership, is the general agent of the firm, and it is within his power to act for the firm. (1) He may bind the firm in all matters that come within the limits of the undertaking of the firm. For example: A firm is in the grocery business—a member of the firm could properly bind the firm in such transactions as properly belong to the grocery business—he could not in the real estate or hardware business. (2) He may receive payments of debts due the firm, or compromise them, or represent the firm in a suit at law. (3) He may make, sign, and accept negotiable paper for the firm in the regular course of its business. (4) He may borrow money necessary for the carrying on of the firm's trade.

*Acts a Partner Must Not Do*—(1) Generally speaking he must not do anything contrary to the agreements in the articles of co-partnership, nor do anything prejudicial to the best interests of the firm for his own personal advantage. (2) He must not use the property of the firm for his own use. (3) He must not use the credit of the firm for his own personal benefit. (4) He cannot bind the firm by giving the firm's note in payment of his personal debt. If one partner sued the firm, he would in reality be suing himself, as the firm does not exist without him. Should he bring an action against one of the partners, it would have the effect of dissolving the partnership. The consent of the firm to any of the foregoing prohibitions, makes the act the act of the firm, and not of the individual. Partners may make such agreements among themselves as they see proper, and all of them are bound by such agreements as among themselves. These agreements cannot be imposed on outside parties.

*Liabilities in Case of Insolvency*—In case a partnership becomes insolvent, the entire partnership property would be taken first to satisfy the firm's debts. If a portion of the debts remained unsatisfied, the private property of the partners that they had not put into the concern, would, subject to priority of the partner's private creditors, be taken until the debts were fully satisfied, in case enough could be found to satisfy them. The only exception to this is in the case of a limited or special partner—his liability is not greater than the capital invested. In case he had withdrawn part of his capital, he would be liable for the amount withdrawn.

*Dissolution by Expiration of Time*—The majority of partnerships are made for a definite length of time—one year, two years, five years, etc. Immediately upon the completion of the time, the concern is dissolved. It may, however, continue by a new agreement. If no stated period is mentioned in the written agreement, the partners may

have an agreement among themselves as to the time the contract is to end. It is well to have a provision in the partnership contract providing how a partnership for unlimited time may be terminated, as under this class of agreement all partners must be agreeable to dissolution, unless this agreement contains such provisions.

*Dissolution on Completion of Work*—It is not uncommon for persons to become partners for one simple contract. A. & B. might become partners to build six miles of railroad. At the completion of the work the partnership would be dissolved, because the purpose for which it was formed was accomplished, though they may not specify agreement terminating the contract. A dissolution, on completion of the work, is implied.

*Dissolution by Mutual Consent*—This is the common method of ending a partnership contract. The partners entered into the partnership contract of their own free will and accord for their mutual benefit, and they can, by another new agreement, just as freely cancel the old contract and be separated. It must be with the consent of all the parties, and if the partnership contract is under seal, the agreement for dissolution should also be under seal.

*Dissolution by Sale of Partner's Interest*—A partner may with the consent of his associate partners, sell his interest or share in the business. It would not be proper for him to be able to sell without consent, as he might put a partner in his place who would not be agreeable or congenial to the remaining partners. Just as soon as a partner sells his interest, the agreement is voided—the new man cannot simply take his place. There must be a new agreement between the old remaining partners and the new one, which means new articles of partnership. The new agreement may be in identical terms with the old. It is however new because of the new partner.

*Dissolution by Death or Incapacity of Partners*—A partner dies, there is no agreement between his heirs and the remaining partners, and the partnership is dissolved. By a new agreement one or more of the personal representatives of the deceased partner may take his place, but it is a new partnership by a new contract. The same is true in case of insanity, etc., of a partner.

*Dissolution by Bankruptcy of a Partner*—When a partner in a firm becomes bankrupt personally, the partnership is dissolved, his share in the business passes to his creditors, and they of course are not partners.

*Dissolution by Decree of the Court*—If partners are continually quarrelling or disagreeing and pulling in different directions, and they cannot agree to dissolve, application may be made to a competent court, and an order obtained dissolving it. The following are common grounds for granting an order of dissolution: (1) Improper or fraudulent conduct by a partner. (2) Violation of articles of partnership. (3) Exclusion of partner from sharing in the carrying on of the business. (4) Continued quarrelling so as to render it impossible to carry on properly the business of the firm. (5) Inability of partner to act on account of permanent illness, or by being disabled. (6) Intemperance, immorality or dissipation of a partner that will tend to impair the credit or business of the firm.

*Division of Assets*—In case of dissolution the business is very frequently carried on by a new partnership formed from the remaining part of the firm, or perhaps a new partner may be taken in, in place of the retiring one. In such a case, a part of the assets of the firm, such as cash, bills receivable, real estate, etc., are handed to the retiring partner as his portion, or notes are given by the new partnership to the retiring partner for his interest. If a new partner takes the place of an old one, he frequently pays him a sum and takes his place. In some cases the liabilities of the firm are paid off, and the remaining assets divided among the partners. Sometimes these are all converted into cash before a division is made.

*Liabilities of Retiring Partner*—A partner retiring from a firm is personally liable to outside parties for all the debts contracted while he was in the firm. Credit was given the firm partly on the strength of his name, and he continues to be liable until the debt is paid, unless the creditor agrees to accept the new firm for the debt, thus discharging the one retiring.

*Advertising Dissolution*—When a partner retires from a firm it is customary to give public notice by advertisement in the local papers, and by sending a circular letter announcing the dissolution to all persons who give credit to the firm. If this is not done, any person giving the firm credit, not knowing of such dissolution, may hold the retired partner liable for debts contracted by the new firm, they, not knowing of the dissolution, may have given credit to the firm in good faith on the standing of the very partner that claims to have retired.

*Registration of Notice of Dissolution*—In Ontario not only must the firm register the Articles of Partnership in the County Registry Office, but a retiring partner must also register a declaration of dissolution of partnership if he wishes to free himself from being responsible for the debts that the firm continuing the business may contract after he leaves them.

*Power of Partners after Dissolution*—If the partnership is dissolved, and the business is to be wound up, a partner may demand that partnership assets be first used to pay off all liabilities before any is appropriated by partners. If the assets are vested in any one party as trustee for the others, that trustee has no power to go on with new business, but only to do such business as is required to wind up the affairs of the dissolved firm.

## Partnership Settlements.

The problems following hereafter are given for practice in settling between partners, some at the end of an ordinary business year and others at a winding up or dissolution of partnership. The majority of these problems have been actual settlements made by the author for business men of his acquaintance and are therefore eminently practical. There are thousands of persons who can keep books satisfactorily but the number who can make a proper settlement at the close of a term of business is very small. Such services are very valuable. In making a settlement the first thing to be inquired into is the contract between the partners, including all terms and conditions of it, second the actual state of the finances of the firm, and third whether it is an annual division of profit or a dissolution settlement.



There will be very little trouble in making settlements between partners if the principles observed in making Balance Sheets are followed.

(1) That theoretically the assets are always equal to the liabilities: (2) that all assets belong to the creditors of which there are two kinds: (a) ordinary creditors for the amounts due persons on Ledger Accounts and on commercial paper, mortgages etc.; (b) proprietary creditors, either sole proprietors or partners to whom the capital and profits are due in case of dissolution. The following are a few propositions that may be profitably studied in this connection.

(1) Assets = Ordinary liabilities + Proprietary liabilities

(2) Assets - Ordinary liabilities = Net worth of firm.

(3) Assets - Net worth of firm = Liabilities.

*If the profits are undivided.* In this case the amount of capital withdrawn by partners must be considered an asset of the company—a debt due the company in computing profits for division.

(4) Assets = Ordinary liabilities + Worth of firm last balance + Net profit.

(5) Assets - Ordinary liabilities = Present worth of firm = Worth at last balance + Profit since that time.

(6) Present worth of firm - Worth at former period = Net gain for the term of business.

(7) Worth at former settlement - Present worth = Net loss.

If gains are to be apportioned according to capital invested the division may be made by any one of three methods. (1) By finding the rate per cent. that the profits are of the total capital, and multiplying each man's capital by such rate. (2) By the fractional or unitary method so well known by modern mathematicians. (3) By proportion or rule of three as it is sometimes called.

If capital is in for irregular or short times and the division is to be made according to the average investment, that is, each investment of capital or withdrawal of capital may be multiplied by the days or months for which it was invested or withdrawn, then the sum of the investment products less the sum of the withdrawal products would leave the net average capital of the partner for a day if the multipliers were days and for a month if the multipliers were months. When each partner's capital is found for a day or month the profit may be divided by either of the three methods indicated above.

In working partnership problems it is always better to open up a form of Ledger Account with each partner and with Assets and Liabilities or losses and Gains whichever is given in the problem.

## Problems in Partnerships.

1. Smith & Brown are partners investing \$8500 and \$5450 respectively. At the end of a year they have Cash on hand \$350, Merchandise per Inventory \$9640, Bills Receivable \$130, Personal Accounts Receivable \$8475, Cash in Bank \$1450; they owe notes to the extent of \$2820, and sundry persons \$3250. What is each man's share of the net resources if Smith gets  $\frac{1}{2}$  of the gain and Brown  $\frac{1}{4}$ . ANSWER—Smith \$8818.75; Brown \$5656.25.

2. A and B are partners: A invested \$1800 and B \$950. After carrying on business a year they find they have Merchandise on hand \$2160, Cash on hand and in Bank \$725, Notes due them \$115, Accounts due them \$840. They owe on Notes \$365 and on Personal Accounts \$285. What amount would each get if they dissolved partnership? What is the net gain due each if they share two-thirds to A and one-third to B? ANSWER—A's present worth \$2093.33; B's present worth \$1096.67; A's gain \$293.33; B's gain \$146.67.

3. X and Y form a partnership, X investing \$2400 and Y \$2000. During the year the gain on merchandise was \$1764, on interest \$136, on storage, commission, &c., \$300. The expenses for conducting the business were, rent \$150, wages \$550, other expenses \$100. X has withdrawn \$500, Y \$500. If they share gains and losses equally, How much is each worth at the end of the year? ANSWER—X \$2600; Y \$2400.

4. At the beginning of 1892 M and N were equal partners, each worth \$1800. At the end of the year they have goods on hand per inventory \$2500, Bills Receivable \$800, accounts due the firm \$1350, Real Estate \$600; they owe on their notes \$420 and on personal accounts \$1230; M has drawn from the business \$446 and N \$354. How much has each partner now if they share gains and losses equally? ANSWER—M \$1754; N \$1800.

5. Grant and Miller enter into partnership and continue for a year. At the beginning Grant has two-fifths of the capital and Miller three-fifths; they share gains and losses equally. At the end of the year they have merchandise on hand \$2760, cash \$3240, Bills Receivable \$1320, Real Estate \$1850, due from sundry persons \$930. They owe Bills Payable \$1875, a mortgage of \$1000 and interest thereon \$75, and sundry persons \$2150. Grant has withdrawn \$832 and Miller \$768. The total gain has been \$2100. (1) What is each partner's present worth? (2) How much did each invest? ANSWER—(1) Grant \$2018; Miller \$2982. (2) Grant \$1800; Miller \$2700.

6. Glass and Brown are partners investing \$1250 and \$1640 respectively. At the end of a year they have cash \$850, merchandise \$2000, Bills Receivable \$320, accounts due them \$345, a mortgage due them \$320 with interest accrued \$35; they owe notes \$220, and sundry persons \$150. Glass has withdrawn \$300 and Brown \$270. If they share gains and losses according to capital invested, what is each now worth? ANSWER—Glass \$1460.38; Brown \$2039.62.

7. Cooper and Monkman are partners. According to Articles of Partnership they are to receive interest on their investment, and to be charged interest on their withdrawal at the rate of 6 per cent. per annum. They are to receive a salary of \$480 each, and the remaining loss and gain to be divided—two-thirds to Cooper and one-third to Monkman. Cooper invests January 1, \$1800; June 16, \$1500; September 1, \$1300; and withdraws April 1, \$600; November 16, \$700. Monkman invests January 1, \$2500; July 1, \$800; and withdraws April 1, \$400; September 16, \$1300. On January 1, of the next year the gain, not taking into account the partners' salaries or interest, is \$1850. What is each partner's net worth? (Time by Compound Subtraction—360 days to the year.) ANSWER—Cooper \$5634.67; Monkman \$4115.33.

8. A and B are partners in a business showing the gains and losses according to average investment. A invests January 1, \$1500; May 1, \$400; September 1, \$600; December 1, \$200; and withdraws March 1, \$200; July 1, \$200; November 1, \$300. B invests January 1, \$2000; July 1, \$500; and draws out March 1, \$200; September 1, \$400. Gains during the year amount to \$1600. What is each one's share of the gain? ANSWER—A's share \$862.68; B's share \$737.32.

9. X Y and Z are partners starting without capital. X is to receive \$1500, Y \$1200, and Z \$1000, as salaries,—remaining profits to be divided equally. X draws out during the year \$870, Y \$950, and Z \$500. Total gains without deducting the salaries are \$5800. What is each man's worth at the end of the year? ANSWER—X \$1330; Y \$950; Z \$1200.

10. Geddes and Monkman are partners. Geddes invests \$1800, average date May 10, and withdraws \$720, average date September 4. Monkman invests \$2200, average date June 15, and withdraws \$1060, average date October 11. The gains during the year amount to \$2860, and are to be divided as follows:—A salary to each \$400; interest on their investments and withdrawals at 10 per cent. per annum, (time by actual count, and 365 days to the year;) of the remaining profits Geddes is to receive two-fifths and Monkman three-fifths. What is each partner's net worth at the close of the year? ANSWER—Geddes \$2321.05; Monkman \$2758.95.

11. McDonald and Ferrell are partners. McDonald invests January 1, 1891, \$800; March 16, \$600; July 1, \$300; November 15, \$300. Ferrell invests January 1, \$1800, and draws out March 1, \$300. If total gains were \$950, what would be each partner's share? (Time by Compound Subtraction.) Gains divided according to average investments. ANSWER—McDonald \$461.20; Ferrell \$488.80.

12. A rents a house for 1 year for \$187.20. At the end of 4 months he takes B as co-tenant, and they admit C in a like manner for the last 2½ months. What portion of the rent must each of them pay? ANSWER—A \$118.30; B \$55.10; C \$13.

13. A invests in a Building Society \$1 at the beginning of each month for twelve months. Six months after A's first investment B invests \$1 a month for the balance of the year. The profits are \$4.95. What share should each receive? ANSWER—A \$3.90; B \$1.05.

14. There are 396 shares in a Building Society on which there have been paid \$1 per month for a year and 150 shares on which \$1 a month has been paid for six months, the payments being invariably at the beginning of each month. If the profits are \$295.72, what is the highest even rate per cent. of dividend that can be credited? What would be the dividend on a share in the first series? What in the second series? How much profits would remain unapportioned? ANSWER—10 per cent. dividend; 65 cts. on 1st series; 17½ cts. on 2nd series; \$12.07 unapportioned profits.



15. Mr. Morrison starts Mr. Lamont in a branch store. They are to be partners—Morrison to furnish capital, Lamont to do work—gains and losses to be divided equally. Merchandise in stock \$2300; Cash on hand \$30; Personal Accounts Receivable \$260; Bills Receivable \$160—no liabilities. Rent of store is to be \$72 per year. The business at the end of one year shows merchandise bought \$2800; merchandise sold \$3500; merchandise on hand \$2500; Personal Accounts Receivable \$180; Notes due the firm \$200; Personal Accounts Payable \$480; Bills Payable \$170; Paid for Rent \$50; for Expenses \$110; P. O. salary \$60; received for other services \$36; received for interest \$21; paid for discount \$7; Lamont withdrew cash \$400 and Morrison \$700. Find the cash balance, the gain, and the net worth of the partners. ANSWER—Cash balance \$270; net gain \$828; present worth, Morrison \$2464; do. do. Lamont \$14.

16. Mr. Short places Mr. McLeod in a branch store that has been running for some time—Short to furnish capital, McLeod to do work—gains and losses to be divided equally. The rent of store is \$96 per year; Goods in stock \$1800; Accounts due per Ledger \$450; Bills Receivable \$300; Cash on hand \$40; Bills Payable \$425. At the end of 15 months Mr. Short finds the business as follows: Purchases of merchandise during that period \$4500, sales of merchandise \$6300, inventory of merchandise \$1925, Personal Accounts Receivable \$525, Bills Receivable \$340, Bills Payable \$625, Personal Accounts Payable \$490, rent paid so far \$100 expenses \$130, discount paid \$43, received for P. O. salary at \$80 per year—Paid up to date. Received for other services \$120, for interest \$64. Mr. Short has drawn from the business \$1600, and Mr. McLeod \$300.

(1) Find the Cash Balance.	ANSWER	\$ 439.00
(2) " " net gain of firm	"	1919.00
(3) " Mr. Short's present worth	"	1524.50
(4) " Mr. McLeod's present worth	"	659.50

17. A gentleman, A, and a teamster, B, enter into partnership in the wood business. A buys wood, \$842.02, and B gives his note to A for half the amount for a half interest. B collects the money and does the business. During the first year they sell wood for cash \$1742, and on credit \$93.50, and \$620.40 of the proceeds from sales are invested in wood; \$242.60 was paid for cartage, teaming, &c.; A withdrew cash \$220, and a farmer was over-paid \$6.60 for wood in the \$620.40 purchase, and failed to deliver it, but promised to deliver next season. All the wood on hand was disposed of. For the next year A has bought with his own funds and invested wood \$432, and B has bought with his own funds and invested wood \$364.80. \$410 of the funds of last year's wood are also invested in the new supply of wood. The farmer delivers the \$6.60 of wood due by him. They wish to know how much cash B should have on hand, and how it should be divided between A and B so as to settle all partnership affairs, except the note, and to leave each a half interest in the wood on hand, and in the wood sold on credit. ANSWER—Cash on hand \$249. A draws out \$48.10; B \$200.90, leaving each worth \$653.45.

18. A B and C enter into a partnership January 1, 1891. They agree that C is to manage the business, and to receive a salary of \$600 besides his share in the profits; this salary to be payable semi-annually, in two payments of \$300 each, July 1, 1891 and January 1, 1892. Interest at 6 per cent. to be computed on all investments and withdrawals, and the gains to be divided equally, (count ordinary interest for time obtained by Compound Subtraction.) A invests January 1st \$6000; Aug. 16, \$3000; November 1, \$1500; he withdraws July 1, \$1000. B invests January 1, \$5000; March 1, \$4000. C invests January 1, \$8000; July 1, the salary due him; January 1, 1892, the salary due him; withdraws April 1, \$1000. Their gains during the year are as follows: Merchandise \$10500, interest \$300; Real Estate \$1000. Their losses are: Expense \$2000, discount \$600, (interest and discount do not include interest on partners' accounts.) How do the partners' accounts appear after adjustment January 1, 1892? ANSWER—A \$12527; B \$12114.50; C \$10658.50.

19. A and B are partners. A puts in \$4600, average date March 10, 1889, and draws out \$1600, average date September 9th. B invests \$5650, average date May 30, and draws out \$3000, average date October 15th. The gains are to be divided equally after 10 per cent. interest is allowed on capital in the business, and charged on all withdrawn. The net gain is \$2350. What is each partners' net worth January 1, 1890?—ordinary interest for time obtained by counting actual days. ANSWER—A \$4202.42; B \$3797.58.

20. P and Q are partners, sharing gains and losses according to average investment. P invests January 1, 1889, \$700; April 10, \$900; August 15, \$400; September 20, \$220; and drew out July 1, \$850; December 10, \$320. Q invests January 1, \$2000; May 15, \$1200; July 1, \$600; October 20, \$400; and drew out June 15, \$1000; November 10, \$400. (Time by Compound Subtraction.) The gain is \$3200. Find each partner's gain and worth January 1, 1890. ANSWER—P's gain \$980.76; Q's gain \$2219.24. P's worth \$2030.76; Q's worth \$5019.24.

21. K commences business January 3, 1891; afterwards N is admitted as a partner, investing  $1\frac{1}{2}$  times as much as K. They agree that losses and gains are to be shared according to average investment. If on January 1, 1892 the gains are divided equally, find the date of partnership. ANSWER—May 4, 1891.

22 X and Z are partners, their accounts standing as follows :—

Dr.	X	Cr.	Dr.	Z	Cr.	
1888		1888	1888			
March 15	\$1500	Jan. 1	October 10	\$2000	January 1	\$3000
August 1	500	July 15			March 1	2500
		Nov. 2			August 15	2000
		2000				

Each is to receive a salary of \$500; interest at 6 per cent. is to be allowed on all investments and charged on all withdrawals; remaining profits or losses divided equally. If the gains before salaries and interest are deducted amounts to \$4280, find the present worth of each, January 1, 1889. (Time by Compound Subtraction. 360 days to the year.) ANSWER—X \$8110.01; Z \$7670.

23. E and N are partners. E puts in January 1, \$2000; May 1, \$1500; October 1, \$1000; he draws out April 1, \$1800; September 1, \$700. N puts in January 1, \$1000; April 1, \$2000; July 1, \$3000; October 1, \$4000; he draws out June 1, \$1500; November 1, \$1500. Total gain for the year is \$4000. Find each man's share of it and his net worth. ANSWER—

Gain— E \$1203.01; N \$2797.

P. W.— E \$3203; N \$9797.

24. U V and W are partners. U puts into the business \$3000, but draws out one half of it at the end of six months; V puts in \$2000 and adds \$500 to it at the end of two months; W puts in \$2500 for the whole year. The net gain for the year being \$1700, what part belongs to each? ANSWER—\$540; \$560; \$600.

25. X Y and Z are partners for the year 1892; each to receive \$400 per year salary; X invests \$1800, average date March 12; Y, \$2250, average date May 7; Z, \$1200, average date April 10. At the end of the year the assets and liabilities of the firm are as follows: Merchandise \$2560, Bills Receivable \$800, Personal Accounts Receivable \$1200, Cash on hand \$230, Cash in Bank \$1280, due on Personal Accounts Payable \$220, on Bills Payable \$420. X has drawn \$220 of his salary; Y, \$300, and Z \$400. Gains and losses are to be divided according to capital invested, the time being considered and counted by actual count. How will the gains be divided? ANSWER—\$38.60; \$38.-44; \$20.85.

Petrie and Norman are partners investing as follows: Petrie, January 1, 1883, \$800; April 18, \$200; June 26, \$500; September 30, \$300, and withdraws May 27, \$400; November 16, \$300. Norman, January 1, \$800; July 11, \$800, and withdraws March 16, \$300. If the gain of \$1600 is to be divided first by giving each a salary of \$300, and the rest by average investment, What is the net worth of each, January 1, 1884. (Time by actual count; 365 days to the year.) ANSWER—Petrie \$1914.61; Norman \$2085.39.

## Settlements.

Following this are a series of problems akin to partnerships. They are solved according to the same rules and principles that govern the solution of the partnerships in the foregoing section, viz.: the principles and rules for making Balance Sheets. The Cash may present a little difficulty. First open a Cash Account and place in it all receipts and payments of cash specifically given, then in order to find the receipts on account of the sales of goods work according to the following principles.

(1) If the business began without personal accounts or promissory notes.

(a) Sales of goods = Cash received for goods, if all goods were paid for.

(b) Sales of goods - Personal Accounts and Bills Receivable = Cash received for the goods.

(2) If at the beginning of the financial year there are either Bills Receivable or Accounts Receivable or both of them, then

(a) Accounts and Bills Receivable at beginning + Sales of goods = Cash received for goods, &c. during the period. If there are no Accounts or Bills Receivable at the time of settlement.

(b) Accounts and Bills Receivable at beginning + Sales of goods - Bills and Accounts Receivable at end of term of business = Cash received for goods for the period.

The very same method is applied to find the amount of Cash paid out on account of goods, etc.



## Problems in Settlements.

1. A certain town placed in the hands of a commissioner, liquor valued at \$140.00, and cash, \$8.00. He is to receive \$30.00 for services during the year. He purchases liquor to the amount of \$320.00, sells \$400.00 worth and has, at the end of the year, liquor on hand that cost \$110.00. (1). Did the town make any profit? (2). What was the balance of cash, after taking out salary? ANSWER—Cash on hand, \$58.00; gain, \$20.00.

2. A Co-operative Association employed a druggist at a salary of \$250 per annum. He was furnished with drugs invoiced at \$840.14 and cash \$17.40. During the year he paid for drugs bought for the Association \$749.25, and received from sales \$1060.65. At the end of the year he turned over to the Association the drugs remaining on hand, invoiced at \$950.60 (1) Did he owe the Association or did the Association owe him, and how much? (2) Did the Association gain or lose by this druggist, and how much? ANSWER—(1) Druggist owes Association \$78.80. (2) Net gain of Association \$171.86.

3. I engage a clerk at a salary of \$600 per annum, and start him in business with goods amounting to \$3500; cash \$85, and Personal Accounts Receivable \$135. He leaves at the end of one year and eight months, at which time his books show merchandise bought \$1800, merchandise sold \$6325, merchandise on hand \$2220, expenses \$160, Personal Accounts due us \$310. If the clerk takes all the cash on hand, do we owe the clerk, or does he owe us, and how much? What is our gain or loss? ANSWER—We owe the clerk \$225; loss \$915.

4. Notter sends Guttin to take charge of a business for him. There is a stock of goods in the store of \$1350; cash on hand \$30; debts due from customers on the books \$260, and notes on hand \$140; and there are \$600 of Bills Payable outstanding. Guttin is to get \$30 per month. Rent is to be \$5 per month. At the close of 18 months Notter dismisses him, when he finds goods on hand \$1600; merchandise bought \$3700; merchandise sold \$4800; Bills Receivable \$560; Personal Accounts Receivable \$590; Bills Payable \$635; Personal Accounts Payable \$465; paid to Notter in cash \$200. There was received for various services during the time \$84, and paid to Guttin his salary in full; on account of rent \$80, and for other expenses \$130. There is \$10.25 cash in the till, Is it correct? What is the gain or loss for the time?

5. Mr. M. starts Mr. K. in a branch store, with goods to the amount of \$1,650.00; cash, \$30.00. The rent for the store is \$120.00 per year, Mr. K.'s salary, \$360.00. At the end of 10 months M. looks after the business, and finds that K. has purchased goods to the amount of \$2,400.00, sales of goods amount to \$3,224.50, expenses paid, \$75.50, remitted to M. from time to time, cash \$450.00; the personal accounts in his favor amount to \$411; personal accounts against him, \$375.00; Mdse., as per Inventory, \$1,540.00; rent and salary are not paid. (1). Has the business made a profit or a loss? (2). Does K. owe M. and, if so, how much if K takes the cash balance? ANSWER—(1) Profit of \$249; (2) Cash \$293, leaving \$7.00 still due him.

6. Mr. McConnel starts Mr. Mair in a branch store with the following: Mdse. \$2,500, Cash \$65. Rent of store is to be \$72 per year; Mr. Mair's salary \$420 per year. At the end of fifteen months Mr. McConnel looks over the business and finds Rent paid to the amount of \$84; Expenses \$120; Salary \$490; Bot Mdse. to the amount of \$5,620; Sold Mdse. \$7,240; Mdse. as per Inventory, \$2,100; Mdse. bot. and not paid for per a/cs. Pay., \$1,800; Outstanding Accounts due \$2,000. Paid the proprietor during the fifteen months, \$600. (1) What is the Cash Balance? (2) Is there a gain or loss? ANSWER—(1) \$191; (2) Gain, \$485.

7. Mr. Farney starts Mr. Clark in a branch store with goods amounting to \$2,100; Cash, \$50; Notes (Bills Rec.), \$130; and Personal Accounts Receivable, \$340; Notes owing (Bills pay.), \$620. Rent to be paid is \$60 per year; Clerk's salary to be \$300 per year. At the end of the year Farney examines the business, and finds goods in stock \$1,800; goods bought, \$4,500; goods sold, \$6,300; expenses paid, \$72; rent paid, \$50; salary paid, \$250; notes in sale, \$200; Bills Payable, outstanding, \$750; Personal Accounts Receivable, \$840; Personal Accounts Payable, \$120. Received for interest, \$36; for running a post office, \$180; for other services, \$24. Paid the proprietor cash \$300. (1) Find Net Gain, allowing 10 per cent off Bills Receivable and Personal Accounts for bad debts. (2) Find the Present Worth of firm. (3) Find the Cash balance. ANSWER—(1) \$1,194; (2) \$2,694; (3) \$798.

8. Mr. McDonagh starts Mr. M. McIntyre in a store, giving him Mdse. valued at \$1,800 and \$50 Cash. The rent of the store is to be \$60 per year and Mr. McIntyre's salary \$360 per year. At the end of 10 months Mr. McDonagh finds that Mr. McIntyre has left town without having given notice. Mr. McDonagh looks over his books and finds Mdse. bought, \$2,875; Mdse. sold, \$3,650; expenses paid, \$115. There are goods on hand, \$2,275; cash in the till, \$50. There is no rent paid, nor any account of McIntyre's salary having been paid. There are Personal Accounts Receivable, \$580; Bills Receivable, \$60; Personal Accounts Payable, \$110; Bills Payable, \$160. How does McIntyre stand in regard to the business, and was there any profit in the business? ANSWER—(1) Cash balance \$340, on hand, \$50, leaving \$290 drawn by McIntyre, which was \$10 less than salary earned by him; (2) Net Gain, \$785.

9. Mr. McDonagh starts Mr. Bowie in business in a branch store, with goods on hand worth \$3,250 ; Cash, \$30 ; accounts in the books due him, \$260 ; Notes payable to him, \$90. He owes to the wholesale houses Accounts Payable, \$300, and Bills Payable, \$175. Mr. Bowie is to receive a salary of \$300 per year ; store and rent is \$34 per year. After 18 months McDonagh goes down to examine into the state of the business, which he finds is as follows : Rent paid, \$100 ; salary paid, \$400 ; expenses paid, \$175 ; Mdse. bought, \$4,200 ; Mdse. sold, \$5,600 ; Mdse. on hand, \$3,600. Paid at different times to the proprietor, \$800. Personal Accounts Receivable, \$300 ; Bills Receivable, \$160 ; Personal Accounts Payable, \$200 ; Bills Payable, \$450. Received for post-office salary, \$150 ; for interest, \$20 ; for office work (conveyancing, &c.), \$85. Cash in safe, \$310. How does the business stand ? Has the clerk been embezzling, or is there sufficient money to meet all demands ? ANSWER—Present Worth, \$3,639 ; Net Gain, \$1,254 ; \$5.00 too much Cash on hand.

10. Mr. Pepper sends Mr. Harris into the country to take charge of a branch store, giving him Mdse. \$1,300, and Cash \$40 to start with. The rent is to be \$60 per year, Mr. Harris' salary \$300. When the business has been running for 15 months, Mr. Pepper goes to the store and, finding Mr. Harris absent, he starts to examine the business. He finds Mdse. in stock \$1,850 ; amount of Mdse. purchased during the 15 months, \$3,850 ; Mdse. sales, \$4,600. For several services Mr. Harris has received Cash \$72, and for P. O. salary \$50, and \$12.50 still due. Expense has been paid, \$110. There is to pay on account of Mdse. bought, \$200 ; accounts due for Mdse. sold, \$550. Rent and salary paid to date. (1) What is the gain ? (2) What is the balance of Cash on hand ? ANSWER—(1) \$874.50 Gain ; (2) \$2 Cash on hand.

11. Mr. Pepper starts Mr. MacIntosh in a branch store in Chatsworth, furnishing him with goods \$2,000, and cash \$120. Salary is to be \$450 per year and rent \$120. At the end of the year the business stands as follows : Mdse. purchased during the year, \$5,200 ; Mdse. sales, \$6,000 ; Mdse. Inventory, \$2,500 ; expenses paid, \$132 ; Personal Accounts due the firm, \$1,100 ; notes in favor of the firm, \$300 ; outstanding accounts against the firm, \$500 ; Bills Payable, \$900 ; Cash on hand, \$28. Rent is unpaid, and salary not charged in books. What is the standing of Mr. MacIntosh ? Did Mr. Pepper gain or lose, and how much ? ANSWER—There is a deficit in the Cash of \$760, making Mr. M. owe Mr. Pepper \$310. Net Gain, \$598.

12. Mr. McKim starts Mr. Ramage in a branch store. He gives him goods amounting to \$2,000, and cash \$30. The rent of the store is to be \$84, and Ramage's salary \$300 a year. After a year McKim finds that Ramage has purchased \$3,240 worth of goods and sold \$6,180 worth. Stock-taking shows \$1,175 worth of goods on hand. He owes on account of these goods \$1,350, while there are Personal Accounts owing him on account, of Mdse. sold, \$2,890. Bills Payable are \$140 ; customers' notes on hand, \$340 ; paid for expenses, \$120 ; for rent, \$49 ; received for services of various kinds, \$50 ; salary paid Ramage, \$250. What was the balance of Cash on hand ? Did the business yield a profit, or was it a loss, and how much ? ANSWER—Cash on hand, \$861. Gain, \$1,661. Present Worth, \$3,691.

13. During the year next ensuing there was \$5,325 worth of Mdse. purchased ; there was \$7,000 worth sold and \$1,500 worth in stock at the end of the year. Ramage's salary had been raised to \$350, and he has drawn on account of salary \$375. There was paid for rent \$119 ; for other expenses, \$141 ; and the proprietor withdrew \$1,000 in cash. There has been received for services rendered, \$120. At the end of the year, there are Personal Accounts Receivable, \$3,100 ; Bills Receivable, \$625 ; Personal Accounts Payable, \$675 ; Bills Payable, \$400. What was the balance of Cash on hand, and the Proprietor's net gain and worth in the business ? ANSWER—Cash on hand, \$111. Net Gain, \$1,545. Present Worth, \$4,236.

14. At the end of the next year he finds that he has purchased \$3,200 worth of Mdse. and sold \$8,300, with \$2,850 still on hand. Ramage's salary during the year was to be \$400. Received during the year \$80, being country P. O. salary, and \$214 for services rendered. Paid salary, \$300 ; rent, \$77 ; expenses, \$253. There are Personal Accounts Receivable \$3,760, \$350 having already been written off as bad debts ; Bills Receivable, amounting to \$565 ; Bills Payable, \$620 ; Personal Accounts Payable, \$930. The Proprietor has withdrawn \$1,000. Find the balance of Cash on hand ; also the gain, and the Proprietor's Present Worth. ANSWER—Net Gain, \$2,657. Present Worth, \$5,893. Cash on hand, \$400.

15. Robinson places Ferrell in a store, where the following is the state of business :—

Merchandise	\$1560	Bills Payable	\$400
Cash on hand	80	Personal Accounts Payable	250
Bills Receivable	230		
Personal Accounts Receivable	630		

Ferrell is to receive a salary of \$360 per year ; rent of store to be \$34 per year. At the end of a year they find merchandise on hand \$1800 ; merchandise sold \$4500 ; merchandise bought \$3750 ; received for services as Post Master \$150 ; other services \$75 ; paid on account of rent \$70 ; on account of salary to Ferrell \$300 ; for running expenses \$40 ; returned to Mr. Robinson cash \$300 ; Personal Accounts Receivable \$900 ; Bills Receivable on hand \$400 ; Personal Accounts Payable \$470 ; Bills Payable, outstanding, \$280. Find the balance of cash on hand. Was there a gain or loss, and how much ? What was Robinson's Present Worth ? ANSWER—Cash on hand \$500 ; net gain \$731 ; Robinson's present worth \$2281.

## Compound Interest.

*Definition.* The ordinary definition given for *Interest* is “*money paid for the use of money.*” This definition of interest, though common, is not strictly correct. The money paid for the use of money is CASH—not INTEREST. We would not think of calling the “*legal tender*” that we pay for a horse by the title “*live stock*”—we would call it *cash*. We pay cash for merchandise, for real estate, for live stock, for interest—therefore interest must be something different from the cash paid for it—it is the *use of money*. When money is loaned for a specified time, and a certain sum is to be paid for the loan for the use of it—if that sum due for the use of the capital, and the capital itself, are not returned, and the use of not only the principal, but the amount due for interest charged for—then we have Compound Interest.

If a five year loan of a thousand dollars were made at 6 per cent., simple interest, it would be repayable at the end of five years in the sum of \$1300—the whole principal and the whole interest together at the end of the term. If the principal is payable at the end of, say five years, and the interest annually, half yearly, or quarterly, then we have Compound Interest, because the interest being repaid to the lender, gives him the use of the money paid for interest, and allows him to re-invest it and accumulate it. It matters not who pays for the interest on the interest.

This view of Compound Interest is necessary in order to a thorough understanding of investments of various kinds. There is so much slip shod work done on the calculations for Sinking Funds and payments on Debentures in Municipal work, and so many blunders made in making investments because the calculations are made by a kind of simple interest method, without regard to the principles involved, that it is time to call a halt in such unbusiness-like methods, and apply Compound Interest principles, so that all such work may be equitably done.

We presume that the reader understands the simplest methods of working Compound Interest. We propose to give an illustration of it, then deduce from our work a Compound Interest Table, and from that an Investment Table.

Find how much \$500 would amount to in three years at 6 per cent.

### Operations.

(1)		(2)	(3)
\$500	Principal	\$500	\$1.06
30	Interest for first year	1.06	1.06
<hr/>			
530	Amount at end of 1st year to begin the second year on	530	6.36
31.80	Interest on \$5.30 one year	1.06	1.06
<hr/>			
561.80	Amount at end of 2nd year to begin third year on	561.80	1.1236
33.71		1.06	1.06
<hr/>			
\$595.51	Amount at the end of the third year	\$595.51	67416
			11236
			1.191016
			500
			<hr/>
			\$595.508000



If the interest only is required, subtract the principal from the amount and the interest remains.

In the first operation the additions only are made—in the second and third the multiplications are made, and it will be noticed that these two methods are the same, except in arrangement—there is \$1 + the interest on it for 1 year, or .06 used three times in multiplication as there are years, and \$500 multiplied into their product to get the amount— $\$1.06 \times 1.06 \times 1.06 \times \$500$ , or  $\$1.06^3 \times \$500$  = the amount. We may lay down a general rule, \$1 plus the rate of interest raised to the power equal to the number of times interest is compounded, and that gives the amount of \$1 for the time, multiply by the sum invested, and we have the amount.

By comparison of the third operation with the 6 per cent. column in the table following, it will be noticed that the table is made by simply raising \$1 + the rate of interest to the 45th power at each rate per cent., and noting each year the amount of \$1 at the rate that is being worked.

### Compound Interest Table.

*Showing the amount of \$1 invested at nine rates of interest for any number of years not exceeding forty-five.*

Yrs.	2%.	2½%.	3%.	3½%.	4%.	4½%.	5%.	6%.	7%.	Yrs
1	1.0200	1.0250	1.0300	1.0350	1.0400	1.0450	1.0500	1.0600	1.0700	1
2	1.0404	1.0506	1.0609	1.0712	1.0816	1.0920	1.1025	1.1236	1.1449	2
3	1.0612	1.0769	1.0927	1.1087	1.1249	1.1412	1.1576	1.1910	1.2250	3
4	1.0824	1.1038	1.1255	1.1475	1.1699	1.1925	1.2155	1.2625	1.3108	4
5	1.1041	1.1314	1.1593	1.1877	1.2167	1.2462	1.2763	1.3382	1.4026	5
6	1.1262	1.1597	1.1941	1.2293	1.2653	1.3023	1.3401	1.4185	1.5007	6
7	1.1487	1.1887	1.2299	1.2723	1.3159	1.3609	1.4071	1.5036	1.6053	7
8	1.1717	1.2184	1.2668	1.3168	1.3686	1.4221	1.4775	1.5838	1.7182	8
9	1.1950	1.2469	1.3048	1.3629	1.4233	1.4861	1.5513	1.6695	1.8385	9
10	1.2190	1.2801	1.3439	1.4106	1.4802	1.5530	1.6289	1.7908	1.9672	10
11	1.2434	1.3121	1.3842	1.4600	1.5395	1.6229	1.7103	1.8853	2.1049	11
12	1.2682	1.3449	1.4258	1.5111	1.6010	1.6959	1.7956	2.0122	2.2522	12
13	1.2936	1.3785	1.4685	1.5640	1.6651	1.7722	1.8856	2.1329	2.4098	13
14	1.3195	1.4130	1.5126	1.6187	1.7317	1.8519	1.9799	2.2600	2.5785	14
15	1.3459	1.4483	1.5580	1.6753	1.8009	1.9353	2.0789	2.3966	2.7590	15
16	1.3728	1.4845	1.6047	1.7340	1.8730	2.0224	2.1829	2.5404	2.9522	16
17	1.4002	1.5216	1.6528	1.7947	1.9479	2.1134	2.2820	2.6528	3.1583	17
18	1.4282	1.5597	1.7024	1.8575	2.0258	2.2085	2.4006	2.8543	3.3799	18
19	1.4568	1.5987	1.7535	1.9225	2.1068	2.3079	2.5270	3.0256	3.6165	19
20	1.4859	1.6386	1.8061	1.9898	2.1911	2.4117	2.6533	3.2071	3.8897	20
21	1.5157	1.6796	1.8603	2.0594	2.2788	2.5202	2.7860	3.3996	4.1406	21
22	1.5461	1.7216	1.9161	2.1315	2.3699	2.6337	2.9253	3.6035	4.4204	22
23	1.5769	1.7646	1.9736	2.2061	2.4647	2.7522	3.0715	3.8197	4.7405	23
24	1.6084	1.8087	2.0328	2.2833	2.5633	2.8760	3.2521	4.0489	5.1724	24
25	1.6406	1.8539	2.0938	2.3632	2.6658	3.0054	3.3904	4.2919	5.4274	25
26	1.6734	1.9003	2.1566	2.4460	2.7725	3.1407	3.5557	4.5494	5.8074	26
27	1.7069	1.9478	2.2213	2.5316	2.8834	3.2826	3.7335	4.8293	6.2139	27
28	1.7410	1.9965	2.2879	2.6202	2.9987	3.4297	3.9241	5.1117	6.6488	28
29	1.7758	2.0464	2.3566	2.7119	3.1187	3.5840	4.1161	5.4184	7.1143	29
30	1.8114	2.0976	2.4273	2.8068	3.2434	3.7453	4.3219	5.7435	7.6123	30
31	1.8476	2.1500	2.5001	2.9050	3.3731	3.9139	4.5360	6.0801	8.1401	31
32	1.8845	2.2038	2.5751	3.0067	3.5081	4.0900	4.7649	6.4734	8.7133	32
33	1.9222	2.2589	2.6523	3.1119	3.6484	4.2740	5.0031	6.8900	9.3253	33
34	1.9607	2.3153	2.7319	3.2209	3.7943	4.4664	5.2523	7.2510	9.9781	34
35	1.9999	2.3732	2.8139	3.3336	3.9461	4.6673	5.5167	7.6811	10.6766	35
36	2.0399	2.4325	2.8983	3.4503	4.1039	4.8774	5.7918	8.1473	11.4239	36
37	2.0807	2.4933	2.9862	3.5710	4.2681	5.0969	6.0814	8.6911	12.2235	37
38	2.1223	2.5557	3.0748	3.6960	4.4383	5.3202	6.3855	9.1533	13.0793	38
39	2.1647	2.6196	3.1670	3.8254	4.6164	5.5659	6.7048	9.7235	13.9948	39
40	2.2080	2.6851	3.2620	3.9593	4.8010	5.8167	7.0400	10.2567	14.9775	40
41	2.2522	2.7522	3.3599	4.0978	4.9831	6.0781	7.3820	10.9029	16.0227	41
42	2.2972	2.8210	3.4607	4.2413	5.1823	6.3516	7.7616	11.5570	17.1443	42
43	2.3432	2.8915	3.5645	4.3897	5.4005	6.6374	8.1497	12.2345	18.3444	43
44	2.3901	2.9638	3.6713	4.5433	5.6165	6.9361	8.5572	12.9555	19.6285	44
45	2.4379	3.0379	3.7816	4.7024	5.8412	7.2482	8.9890	13.7666	21.0025	45



To use the foregoing table in compound interest work, find the rate of interest required, run down that column until you come to the number of years required and you find the amount of \$1 for the time required at the rate required. It is evident if the interest on one dollar is found, that the interest on any sum, say \$500, would be five hundred times as great as the amount of one dollar.

For half yearly interest take half the rate and twice the number of terms—the amount of \$800 at compound interest for 12 years at 6 per cent. half yearly would be 3 per cent. for a half year and 24 half years, or  $103^{24} \times \$800$ , or  $\$2.0328 \times 800$ . For quarterly interest take four times the number of years and one-fourth the rate per cent.

The following table, usually called an Investment Table, presupposes the addition of the same sum each year to capital. This table is based on the investment of \$1 each year. Fifty dollars invested each year would be just fifty times as much as \$1 invested annually for the given term. This table is formed by simply adding the foregoing table for the number of years required.

### Investment Table

*Showing the amount of \$1 invested annually for any number of years not exceeding fifty, at eight different rates.*

Yrs.	3%	3½%	4%	5%	6%	7%	8%	10%	Yrs.
1	1.0300	1.0350	1.0400	1.0500	1.0600	1.0700	1.0800	1.1000	1
2	2.0909	2.1062	2.1216	2.1525	2.1835	2.2149	2.2464	2.3100	2
3	3.1836	3.2149	3.2465	3.3101	3.3746	3.4399	3.5061	3.6410	3
4	4.3091	4.3625	4.4163	4.5256	4.6371	4.7507	4.8666	5.1051	4
5	5.4684	5.5502	5.6330	5.8019	5.9753	6.1533	6.3359	6.7156	5
6	6.6625	6.7791	6.8983	7.1420	7.3938	7.6540	7.9228	8.4872	6
7	7.8923	8.0517	8.2142	8.5491	8.8975	9.2598	9.6366	10.4359	7
8	9.1591	9.3685	9.5828	10.0266	10.4913	10.9780	11.4876	12.5795	8
9	10.4639	10.7314	11.0061	11.5779	12.1808	12.8164	13.4866	14.9374	9
10	11.8078	12.1420	12.4864	13.2068	13.9716	14.7836	15.6455	17.5312	10
11	13.1920	13.6020	14.0258	14.9171	15.8699	16.8885	17.9771	20.3843	11
12	14.6178	15.1130	15.6268	16.7130	17.8821	19.1406	20.4952	23.5227	12
13	16.0863	16.6770	17.2919	18.5986	20.0151	21.5505	23.2149	26.9750	13
14	17.5989	18.2957	19.0236	20.5786	22.2760	24.1290	26.1521	30.7725	14
15	19.1569	19.9710	20.8245	22.6575	24.6705	26.8881	29.3243	34.9497	15
16	20.7616	21.7050	22.6975	24.8404	27.2129	29.8402	32.7502	39.5447	16
17	22.4144	23.4997	24.6454	27.1324	29.9057	32.9990	36.4502	44.5992	17
18	24.1169	25.3573	26.6712	29.5390	32.7600	36.3790	40.4463	50.1591	18
19	25.8704	27.2797	28.7781	32.0660	35.7856	39.9955	44.7620	56.2750	19
20	27.6765	29.2695	30.9692	34.7193	38.9927	43.8632	49.4229	63.0025	20
21	29.5368	31.3290	33.2180	37.5052	42.3923	48.0058	54.4568	70.4027	21
22	31.4529	33.4604	35.6179	40.4305	45.9953	52.4361	59.8963	78.5430	22
23	33.4265	35.6665	38.0826	43.5021	49.8153	57.1767	65.7648	87.4973	23
24	35.4593	37.9499	40.6459	46.7271	53.8645	62.2190	72.1059	97.3471	24
25	37.5530	40.3131	43.3117	50.1135	58.1564	67.6765	78.9544	108.1818	25
26	39.7076	42.7591	46.0842	53.6961	62.7053	73.4838	86.3508	120.0999	26
27	41.9309	45.2905	48.9676	57.4025	67.5231	79.6977	94.3358	133.2099	27
28	44.2188	47.9108	51.9663	61.3227	72.6398	86.3465	102.9659	147.6309	28
29	46.5754	50.6227	55.0849	65.4338	78.0532	93.4398	112.2332	163.4940	29
30	49.0027	53.4295	58.3283	69.7608	83.8117	101.0730	122.3459	180.9434	30
31	51.5023	56.3345	61.7015	74.2938	89.8398	109.2182	133.2135	200.1378	31
32	54.0778	59.3412	65.2035	79.0638	96.3432	117.9334	144.9506	221.2515	32
33	56.7302	62.4532	68.8379	84.0670	103.1838	127.2588	157.6267	244.4767	33
34	59.4621	65.6704	72.6522	89.3293	110.4348	137.2369	171.1618	270.0244	34
35	62.2719	69.0076	76.5983	94.8363	118.1249	147.9135	186.1021	298.1268	35
36	65.1742	72.4579	80.7022	100.6251	126.2684	159.3374	202.0703	329.0395	36
37	68.1594	76.0289	84.9703	106.7095	134.9042	171.5610	219.3159	363.0434	37
38	71.2342	79.7249	89.4091	113.0650	144.0585	184.6403	237.9412	400.4478	38
39	74.4013	83.5503	94.0255	119.7998	153.7620	198.6351	258.0565	441.5926	39
40	77.6633	87.5095	98.8265	126.8398	164.0477	213.6096	279.7810	486.8518	40
41	81.0232	91.6074	103.8196	134.2318	174.9536	229.6322	303.2435	536.6370	41
42	84.4837	95.8486	108.0124	141.9393	186.5076	246.7765	328.5830	591.4007	42
43	88.0481	100.2393	114.4129	150.1431	198.7540	265.1208	355.9496	651.6408	43
44	91.7199	104.7817	121.0234	158.7002	211.7435	284.7493	385.5056	717.9048	44
45	95.5015	109.4840	125.8706	167.6352	225.5051	305.7518	417.4261	790.7953	45
46	99.3965	114.3510	131.9454	177.1194	240.0936	328.2244	451.9002	870.9749	46
47	103.4084	119.3883	138.2632	187.0254	255.5615	352.2701	489.1322	959.1723	47
48	107.5406	124.6018	144.8337	197.4267	271.9584	377.9990	529.3427	1056.1896	48
49	111.7969	129.9979	151.6671	208.3480	290.3359	405.5289	572.7702	1162.9065	49
50	116.1807	135.5825	158.7738	219.8151	307.7561	434.9859	619.6718	1280.2993	50

## Solutions.

We give the following short solutions of questions Nos. 10, 20, and 30, just as beginnings for those unaccustomed to such problems.

*Short Solution of Question No. 10*—The first investment is made at the end of 1st year, and accumulates for 19 years—\$1 each year for 19 years at 4 % = \$28.7781, add \$1 for 20th year = 29.7781 divided into \$5000 = \$167.91 to be invested annually.

*Short Solution of Question No. 20*—Government's side of account = \$600 for 20 years at 4 % = \$600 × 2.1911 = \$1314.6600. Borrower pays back say \$1 per year at the end of each year. 19 payments of \$1 at 4 % = \$28.7781, add \$1 for last payment = \$29.7781 by investing one dollar. Therefore \$1314.66 divided by \$29.7781 = \$44.15.

*Short Solution of Question No. 30*—\$1 each year for eight years at 6 % = \$10.4913, add \$1 = \$11.4913 × 225 = \$2585.5425, or total value at the end of nine years. Divide this by the amount of \$1 invested at 6 % for nine years, or \$1.6895 = \$1530.36.

## Compound Interest Problems.

1. How much must A invest for his son 15 years old at 6%, interest compounded annually that when he is of age he may receive \$3000.00. Ans. \$2114.91.
2. Find the amount at compound interest of \$200.00 for  $1\frac{1}{2}$  years at 8 per cent. compounded quarterly and show from your work that the following statement: ( $\$200 \times 1.026$ ), when worked out would give the correct answer. Ans. \$25.24.
3. At compound interest, (compounded semi-annually) at 8% per annum a certain sum amounts to \$723.19 in  $2\frac{1}{2}$  years. Find the principal. Ans. \$594.39.
4. Find the amount necessary to be placed at compound interest at 8% when a boy is 14 years of age, so that he may have \$4500.00 when he is 21 years of age. Ans. \$2625.74.
5. Money being worth  $6\frac{1}{2}$ % how much will it take to produce \$320.00 in 2 yrs. 6 mos., interest compounded annually? Ans. \$273.25.
6. What amount would you deposit in a bank at the beginning of each year at 5% int., compounded annually, so that at the end of 6 years you might have \$1800.00? Ans. \$252.04.
7. How much must I invest at the beginning of each year at six per cent. per annum so that at the end of 6 years I may have \$2500? Ans. \$338.12.
8. A 20 year Endowment policy in the Confederation Life Assurance Co. for \$1000.00, costs annually \$47.68, which would be the more profitable and how much, to invest in the policy, or to invest the amount of the premium annually at 4%, compound interest? (\$1.00 invested at the beginning of each year for 20 years at 4% = \$30.9692.) Ans. To invest in other ways the better by \$476.61.
9. Which is the better investment a life insurance policy for \$4000.00, costing \$114 annually for 20 years, or \$114.00 invested every year at 5 per cent, compound interest for the same time? Ans. Insurance policy \$42.00.
10. The Township of Collingwood issues 10 debentures of \$500 each, payable in 20 years. Money is worth 4%. What sinking fund will have to be put away each year to meet the debentures when they become due? Ans. \$167.91.
11. The Town of Owen Sound issues 50 debentures of \$1000.00 each, payable in 20 years. Money being worth 5%, what sinking fund will they have to invest each year to pay off the debentures when they are due? Ans. \$1512.13.
12. I have a mortgage on my farm of \$1000.00 payable in 10 years at 7%. Interest payable annually. (a) How much must I put in the Savings Bank each year at 5% in order to pay off the principal of the mortgage when it is due. (b) How much must I put away half yearly at 6% per annum, interest compounded semi-annually? Ans. (a) \$79.50; (b) \$37.22.
13. What sinking fund invested at the end of each year is required to pay a \$1000.00 debenture in 20 years? Interest on sinking fund compounded annually at 5%. Ans. \$30.24.
14. A town issues 50 debentures of \$100.00 each, payable in 20 years. When money is worth 5% what amount of sinking fund will have to be invested at the end each year to pay them off when they are due? Ans. \$151.21.
15. How much will be required to be put away at the end of each year for 20 years, interest compounded semi-annually at 4%, so that at the end of that time there will be an accumulation of \$15,000.00? How much if the rate is 6%? How much at 5%? Ans. \$501.64; \$403.84.
16. How much will be required to be put away at the end of each year for 20 years, compounded annually, at 5%, so that at the end of that time there will be enough to meet a debt of \$20000.00? How much at 4%? Ans. \$604.85; \$671.60.
17. I have to pay \$1600 due in ten years from date. How much must I put away in the Savings Bank at the end of each year at 6%, compounded semi-annually, so as to be able to pay the debt at maturity. Ans. \$120.88.



18. The Town of Owen Sound purposes raising \$75,000.00 by issuing 75 debentures of \$1000.00 each, payable in 20 years, for the purpose of building a railway extension to Allenford. (a) What amount of sinking fund must the Town place at 5% interest at the end of each year so as to be able to pay these debentures at maturity? (b) If the assessed value of the town is \$2,500,000.00, what would be the rate of taxation for the annual sinking fund? Ans. (a) \$2268.19; (b) 9/10 mills.

19. I lend Brown \$750.00 on his farm at 10% to be paid back, principal and interest, in 5 yearly equal instalments. Find the amount of the annual instalment. Ans. \$197.85.

20. I borrow \$600.00 from the Ontario Government at 4% for drainage purposes. How much will I have to pay back each year in order to pay off principal and interest in 20 equal annual payments? Ans. 44.15.

21. \$400.00 are borrowed for draining purposes at 5%, to be paid back in 20 equal annual instalments. Find the amount of the instalments. Ans. \$32.10.

22. What is the annual payment required to repay \$1300.00 at 6.4%, allowing the same interest on amount repaid, that it may be paid in 10 years? Ans. \$180.00, nearly.

23. I borrow \$1300.00 at 6% to be repaid in 10 equal annual instalments of principal and interest. How much must I pay at the end of each year? Ans. \$176.62.

24. I borrow \$1000.00 now at 6%. I am to pay principal and interest back in 15 equal annual instalments? What will be the amount of each instalment? Ans. \$102.96.

25. What would be the annual payment on \$2000.00 borrowed for a term of 12 years,—interest and principal are payable in 12 equal annual instalments—if they charge you 6% and allow you only 4%? Ans. \$267.83.

26. I borrow \$1500.00 repayable in 15 equal annual instalments of principal and interest. I am to be charged 7% on the money loaned to me and allowed 5% on what I pay back. What will be my annual payment? Ans. \$212.22.

27. I borrow \$1200.00 to be repaid in 15 equal annual instalments of principal and interest. I am charged 6% by the lender and allowed 5% on the amount repaid. What will be the annual payment? Ans. \$133.28.

28. I borrow \$1500.00 at 7% for 10 years. I am to be allowed 5% on my payments. What sum must I pay annually to discharge both principal and interest in 10 years? \$234.60.

29. I borrow \$1000.00 for 10 years at 6.4%. How much must be raised in each year to pay it back in ten years, receiving 6.4% for all money paid back. Ans. \$138.45.

30. Mr. Wickham has a sinking fund mortgage upon which there are payments due of \$225.00 at the end of each year for 9 years. How much could I pay for the mortgage to realize 6% on my investment? Ans. \$1530.36.

31. I have a mortgage on which there are due 6 payments of \$70 each, payable on March 1, 1891, 2-3-4-5 and 6. How much would this mortgage be worth Oct. 1, 1890, if money is worth 6% per annum? Ans. \$355.97.

32. J. Woods wants to sell me a mortgage of \$700.00, payable in six years, bearing interest at 10% payable annually. How much can I give him in order to realize 7% on my investment? Ans. \$800.11.

33. Brown brings me a mortgage for \$400.00 payable in 6 years and bearing interest at 6%, payable annually. What can I give him in order to realize 8% on my investment? Ans. \$363.30.

34. I sell you a mortgage of \$1000.00 payable in 10 years, bearing interest at 6% payable annually. If you require 7% on your money how much can you give me for the mortgage? Ans. \$929.74.

35. A \$1000.00 debenture bearing 6% interest is drawn for 20 years. How much can I give for it if satisfied with 5% on my money? Ans. \$1124.62.

36. Miss Miller has a mortgage for \$1000.00 payable in 10 years and bearing interest at 7%, payable half yearly. How much could I give for the mortgage so as to realize, (a) 6% per annum half yearly; (b) 5 per cent yearly. Ans. (a) \$1074.39; (b) \$1161.19.

37. Mr. Manden desires to sell a mortgage for \$300.00, due in 12 years, bearing interest payable annually at 5% per annum. How much could I give for the mortgage so as to realize 6% on my investment? Ans. \$732.93.

38. Mr. Jackman sells a mortgage for \$300.00 to Mr. McCauley. The mortgage is payable in 5 years and bears 8% interest payable annually. If Mr. McCauley is content with 6% on his money, how much can he pay for that mortgage. Ans. \$650.56.

39. Mr. McRae owns a mortgage of \$1000 against Mr. Miller, which is not due until the end of 5 years—interest at 3% payable annually. If money has decreased in value 2% and is now worth only 6%. What does Mr. McRae gain or lose if he accepts \$1050.00 in payment of the mortgage now? Ans. Loss \$34.27.

40. How much can I pay for a mortgage of \$1000.00, payable in 10 years, with interest thereon at 7% per annum, payable half yearly, so that I may realize 5% per annum payable yearly, on my investment?

41. Mr. Howes holds a mortgage of \$800.00 against Mr. White's farm. The mortgage is payable in 7 years and bears interest at 8% per annum payable semi-annually. If money is worth 6%, compounded semi-annually, now. How much would Mr. Howes gain or lose if he accepted \$900 in cash now as payment for the mortgage? Ans. \$9.64, gain.

42. The Township of Keppel desires to borrow on debentures \$1167.74 re-payable as follows: For the first 4 years the interest only at 5% is to be paid; for each of the following 10 years a \$100 debenture and interest on unpaid principal; and the last year one debenture of \$167.74 and interest on unpaid principal. How much will they have to raise each year, providing they invest the amount over at 5%, so that these debentures may be paid in 15 years. Ans. 112.50.

## Auditing.

*The Auditor* should be a man of reliable character, having good judgment, and plenty of what is usually called "back-bone." He should understand financial matters generally, and be a good *accountant*. An accountant is likely to be a good book-keeper, but a book-keeper may only be able to do routine work such as posting, etc., and he may not understand the principles of book-keeping, nor the bearing of one account on another, and the relations between capital, revenue, etc. If such is the case he is not an accountant. He works mechanically, and not from principle. Such a man is no use as an auditor. Reliability of character, etc., are quite necessary, but they will not take the place of competency. Both honesty and ability are required in the first degree. The idea of appointing honest men as Auditors is thoroughly understood the country over, and we presume that all the auditors appointed by towns, townships, villages, counties, cities, etc., are honest. They are appointed generally on the sole qualification of uprightness, and the idea of real ability to do the work properly is rarely in the minds of those making the appointment. Not only is this true of non-trading corporations, but of Joint Stock Companies as well.

*The Auditor's Qualifications.* Aside from the honesty qualification the Auditor should understand (1) Double and Single Entry Book-keeping, (2) the laws of the country that exist regulating the business, (3) The charter or letters patent of incorporation, (4) the rules and by-laws governing the corporation.

He should be able to pronounce authoritatively upon the four kinds of errors he is likely to meet with and suggest corrections for them. They are

(1) Errors of Omission, the leaving out of business transactions that should be recorded.

(2) Errors of Commission, that is, the entering of transactions that did not take place or entering them incorrectly, or entering them a second time.

(3) Errors in mechanical work, such as mistakes in arithmetical calculations, such as making bills out incorrectly, mistakes in posting, etc.

(4) Errors in principle, that is, such errors as are (a) contrary to the principles of book-keeping and finance, such as the capitalizing of expenses, and (b) contrary to the laws of the land, or by-laws of the company.

The majority of Auditors are content to perform all their work in looking for the third class of errors, and this is the kind they are least likely to find, as nine-tenths of the crookedness in books is perpetrated under the other three kinds of errors.

Regarding the duties, responsibilities, &c., of the municipal auditor the "*Municipal World*" has the following to say, to which we may add that the number of defalcations, &c., of Township, County and Town Treasurers, Collectors, &c., has increased to an alarming extent during the past few years, that we believe the suggestion of the Municipal Commission to the Ontario government, to appoint government auditors to inspect municipal books cannot be put into effect any too soon.

"Auditors should be men capable of checking the work of the clerk, collector, treasurer and all others who handle the public money. They should receive salaries sufficient to pay them for doing the work in a thorough manner. Checking over the vouchers and making a copy of the treasurer's books is not an audit, although it has been accepted



as such in many municipalities whose accounts, more especially those relating to debentures, are now in such a condition that only an experienced municipal man and an accountant with plenty of time at his disposal, could open them up properly. If audits were thorough the treasurer would be more particular and would not be tempted to use the public money for his own purposes. With an average audit every treasurer can, if so inclined, arrange matters in a way that the auditors never suspect anything wrong. The auditors should refer all irregularities they find to the council. One matter that requires their special attention is the balance on hand. The Municipal Commission Report refers to numerous defalcations which were covered up by a little manipulation on the part of the treasurer at the end of the year. To overcome this auditors should in all cases continue their examination of the accounts from the 31st of December up to the date on which they complete the audit."

"Unless councils are more particular in their appointment of competent men, who will attend to their duties as auditors, the appointment of these officers may be justly taken out of their hands."

*The Financial Statement.*—So much has been said in reference to the Financial Statement in former pages that it is quite unnecessary to say much about them here. We would recommend the careful reading of the following parts: page 105, Plant account; pages 105-108 inclusive; pages 118-9 on Wet and Dry Stock; pages 139-40, Trip Statements; pages 149 to 219 inclusive, in which there are many hints in reference to the Financial Statement. Pages 239 and 240 in reference to statements of mutual Insurance Companies; pages 266-8 inclusive *re* statements of Building and Loan Societies; pages 275-7 relative to Manufacturing; pages 292-8 in reference to Municipal accounts, and page 306 relative to the statements of Churches. The section on Partnerships and the settlement of partners' accounts should receive careful attention as well as the problems given in connection with them (see pages 226-9). The department of Settlements with branch houses, agencies etc. should not be overlooked (see pages 321-2), and the part referring to Investments should have the serious attention of every person who has auditing to do for either municipal or financial institutions. There are two classes of books in use generally, and the auditor should thoroughly understand their use, they are:—

(1) *Books of Account or Financial Books* and to this class belong Day Books, Journals, Ledgers, Cash Books, Invoice Books, Sales Books, &c.

(2) *Books of Registry*, for records or statistics, etc. To this class belong Stock Book, Share Register, Transfer Book, Index Book, and thousands of other books, devised for all kinds of special purposes. Occasionally a book belongs to both classes, for example, the Insurance Registers on 232, 233, 237, 238. These not only are registers of particulars of policies but they likewise are used to sum up the transactions month by month for other financial books. The same is true of work register on pages 272, 273 and many other examples in this book.

The Auditor should understand these registers, as well as the ordinary financial books, that he may know their relation to the financial books and be able to check by calculation many results in the books of account. He should be able to judge what of such books he may leave out in making an audit, and what ones are necessary. It is not often that an auditor finds it necessary to investigate every detail in such books of record at each audit he should not however wholly neglect them, but should check some of them in detail every audit and generally take a slightly different course at each audit, so that the book-keeper is kept constantly in expectation of any and all parts of his work. If

an auditor always follows the same routine in making his audit, a treasurer can if he is dishonest, avoid the beaten track of the auditor in any crookedness he may undertake in his work.

*Appointment of Auditors.* The auditor or auditors of a company are generally appointed by the shareholders at their annual meeting and if this is not done the directors will make the appointment. The auditor should represent the shareholders and look after business done by the officers on behalf of the shareholders. The business is done mostly by the directors, and the auditor holds the *check rein* on them for the shareholders. It is not proper for the directors to make the appointment. In some companies where the business is largely entrusted to a manager the auditor frequently holds the *check rein* over the manager on behalf of the directors and shareholders as well..

*Auditors Duties.* The auditor has two distinct lines of duty ahead of him in making an audit. (1) to see that all the books and accounts are correctly and properly kept, and (2) to see that the property of the company is in its possession, to represent the accounts

Under the first heading we will give a number of points for the auditor in making examinations of books. Our list is not exhaustive, it however covers most of the ground.

(1) Examine the Cash Book on the Dr. side as to the receipts and compare with it such orders, accounts, memoranda of sales, and other papers of original entry, &c., as are available, to see that the receipts of cash are correctly entered both as to the amount and the account to which it is credited. (2) Examine the Cr. side of the Cash Book and compare with it all vouchers for payments. These would consist of an endorsed cheque, drawn to the order of the person having a claim against the company, a receipted account, or a receipt. (3). With the above receipts there should be compared the account, or bill, or invoice rendered, showing what the payment was for; and right here might arise the question as to whether the expenditure was a legal one and in accordance with the by-laws of the company. (4) Besides the voucher and account for each payment mentioned in nos. 2 and 3, the payments should be authorized by the directors. This should be done by resolution recorded in the minute book and by initials of directors placed on the account or bill. See minute book pages 76-80. (5) He will compare journal entries with accounts, original entries, and with vouchers, &c., and the authorization of the board of directors where he deems necessary. (6) He will check over all auxilliary books with entries, and Cash Books, Journals, Sales Books, &c., with the Ledger, &c., so as to satisfy himself of the mechanical correctness of the work. In this checking process colored ink or pencil otherwise than black should be used, and a check mark placed at each entry so as to determine (1) that all entries in Journal, Cash Book, &c., are correctly posted, and, (2) to see that no entries have been made in the Ledger, without there being first an entry for it in Journal, Cash Book, &c. Such check mark may be made  $\surd$  or  $\checkmark$  or some letter may be used in its place and if checking has to be done a second time make a line across the check mark or letter. (7) See that profits, losses, expenses, &c., are correctly entered and estimated and that no payment that should be applied to current expenses is allowed to be *capitalized* that is treated as a valuable asset of the company. (8) He should be careful to ascertain that there are no outstanding liabilities left out of the books and that all assets are represented in the books and that such assets and liabilities are correctly represented in the statement. (9) He should check over sufficient of the calculations for journal entries, &c., and of Interests, Discounts, &c., to assure himself of the general correctness of them, and of calculations of interests, &c., in inventories, Stock Sheets, &c. (10) He should see that the books are properly closed, and place his initials

on the principal working accounts at such closing. (11) He should place initials or check marks large and plain on all vouchers, receipts, &c., and especially on notes, drafts, bills of exchange, debentures, coupons, &c., to prevent their being used a second time and it is a good plan to place the year on the voucher as well as the initials. (12) He should carefully ascertain that all the transactions have been duly recorded in the books, and that no transaction has been entered more than once. (13) He should not be called upon to make out balance sheet statements, &c., for the company. He should verify their correctness and sign them. These statements should be in as plain a language as possible. They are intended to explain and not to cover up or mystify transactions. He should have a keen appreciation of the special showing of each statement and prepare or have prepared additional statements if he think it desirable in the best interests of the shareholders. For example, the Profit and Loss statement shows the annual increase of capital. It will not show a conversion of one resource into another. If cash were converted into notes, bonds, real estate, &c., the statement of receipts and expenditures of cash would be necessary to show such change. (14) He should see that no dividend is paid out of capital. (15) He should see that all books required by statute are duly kept. (16) He should report to the directors or the shareholders, any irregularity that he finds in the work of the book-keeper, or in the business done. (17) In many cases such as Monetary Institutions, the auditor should send a statement of the balance of his account to each customer or depositor, to assure himself of the correctness of the personal accounts. If the account is not correct the statement should be returned to the auditor and not to directors or manager. (18) He should examine all the stock books, registers, stock ledgers, transfer books, &c., of the company, to see that all stock transactions are correctly entered, that calculations for dividends are correct, and that Reserve, Rest or Surplus Account is correctly kept and that the assets of the company really exceed the liabilities and capital by the amount of the reserve after profits have been paid out as dividend. (19) The auditor should suggest any beneficial changes in the methods of keeping books, &c., that he may think in the best interests of the work of the company. (20) He should make suggestions to the management and to the shareholders as to any of the work or undertakings of the company and as to results to be expected from investments, &c. (21) In case of a partnership the auditor should be careful to consider the articles of agreement as well as the principles of book-keeping, when making adjustments or settlements between them.

*Examination of Assets.* Under the second heading we noted that the auditor should see that the company had in possession of its officers the property represented by the accounts and statements.

(1) He should make an actual count of the cash to see that the cashier has *legal tender* equal to his Cash Book balance. (2) He should examine the Bank Pass Book to see that the balance acknowledged by the bank in the pass book is the same as shown by the books. If it is not, make a record of any unpresented cheques, &c., that are required to explain the deficiency. (3) See that all Bills Receivable, Mortgages Receivable, &c., are in the company's possession. (4) He should assure himself as to the value of Real Estate, Merchandise, &c., represented by the inventories. While the auditor cannot always be an expert in prices as well as on book-keeping, it is within the province of his work to verify such inventories of valuable property in the best way at his disposal.

Of the principles to be observed in making out statements of all kinds, of balance sheets, we have written enough in other parts of this work so that they need no further elaboration in this department.



## Marking the Cost Price of Goods.

All merchants who do a business of any size mark their goods both as to cost and selling price. Some merchants mark both cost and selling price in private marks, so that a customer cannot detect either price. The most common way of marking cost is to employ letters to represent the figures. For an aid to the memory a key-word is chosen containing ten letters, all different, and a figure is assigned to each letter.

B l a c k s t o n e.  
1 2 3 4 5 6 7 8 9 0.

n o w b e q u i c k.  
1 2 3 4 5 6 7 8 9 0.

Marking is usually done in a fractional form, the selling price below and the cost above; thus if the cost was marked on "Blackstone" and the selling price on "Now be quick," goods that cost \$3.75 and sold for \$4.35 would be marked by letters thus :

\$3.75

a. t k.

\$4.35

b. w e.

To make the mark a little more difficult to find out another letter is sometimes added to prevent the repetition of letters where the same figure is repeated—this letter is called a *repeater*. Suppose we choose x as a repeater and we were going to write \$2.25 on the key-word "Blackstone," instead of writing it "l.lk" we would write "l.xk," the x denoting the same figure as the one that was before it. There are many key-words and sentences to be found. Among those in common use we give the following: *Hagerstown, W. Gladstone, Bashful men, Republican, St. Boniface, Milverton, Ridgetowns, Gospel Hymn, cash profit, come and buy*. Arbitrary characters may be made to represent the figures. One of the easiest and most useful is formed by arranging the figures in the spaces formed by two lines being thrown across other two lines. The characters are formed from the part of the cross lines containing the figure in the key :

1	4	7
2	5	8
3	6	9

J, L, 7, U, O, N, C, F, Δ, X.

1, 2, 3, 4, 5, 6, 7, 8, 9, 0, Repeater.

It will be noticed that by a change of position of the figures in the squares a complete change of the character representation can be produced, and these changes can be made an indefinite number of times. The following is one change :

6	7	2
1	5	9
8	3	4

J, L, N, F, O, J, U, 7, C, X, N,

1, 2, 3, 4, 5, 6, 7, 8, 9, 0, Repeater.

The following two sets of arbitrary characters will also be found useful for marking :

### Arbitrary Characters.

□, □, □, Λ, X, Θ, #, V, Δ, <, Δ

1, 2, 3, 4, 5, 6, 7, 8, 9, 0, Repeater.

X, +, =, -, ÷, ∪, ∩, (, ), ||, \.

1, 2, 3, 4, 5, 6, 7, 8, 9, 0, Repeater.



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